

**Annual Report
and
Financial Statements**

30 September 2020

**IntegraLife UK Limited
Registered in England No. 00798365**

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IntegraFin Limited
Notes to the Financial Statements
Year Ended 30 September 2020

1. Accounting policies

The accounts have been prepared under the historical cost convention.

2. Trust assets

The Company holds 124,525 (2019: 124,525) unallocated shares in its ultimate parent company, IntegraFin Holdings plc. These shares are held on trust for the benefit of the beneficiaries of the staff incentive plan. They are excluded from the Company's net current assets. The shares received dividend income of 7.9p (2019: 9.0p) per share in financial year 2020.

3. Debtors

	2020	2019
	£	£
Amounts owed by group undertakings	30,141	20,304

4. Creditors

	2020	2019
	£	£
Amounts owed to group undertakings	13	13

5. Share capital

Allotted, called up and fully paid:

	2020	2019
	£	£
Ordinary shares of £1	1	1

6. Ultimate parent company

The ultimate parent company is IntegraFin Holdings plc.

Integralife UK Limited
Financial Statements
For the year ended 30 September 2020

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Integralife UK Limited
Company Information
For the year ended 30 September 2020

Executive Directors	A Scott J Gunby (appointed on 14 May 2020) I A Taylor (resigned on 02 March 2020)
Non-executive Directors	N Holden J McKenzie
Company Secretary	H Wakeford (appointed on 25 March 2020) D G C Johnson (resigned on 25 March 2020)
Auditor	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM1 1LA
Registered office	29 Clement's Lane London United Kingdom EC4N 7AE Registered in England No. 00798365

IntegraLife UK Limited
Strategic Report
For the year ended 30 September 2020

The Directors present their Strategic Report for the year ended 30 September 2020.

Review of the business

The principal activity of IntegraLife UK Limited (ILUK) is the transaction of ordinary long term insurance business within the United Kingdom through the Transact wrap service, ILUK offers Personal Pensions, Executive Pensions, Section 32 Buy Out Pension Bonds, Onshore Bonds and Qualifying Savings Plans.

ILUK is a 100% owned subsidiary of Integrated Financial Arrangements Ltd (IFAL) and is complementary to the other tax efficient savings elements of the Transact platform offering, with the non-insured elements being offered directly by IFAL through ISA and SIPP authorisations and the offshore insurance contracts being provided to the platform by IntegraLife International Limited (ILInt), a related party of ILUK and also a 100% subsidiary of IFAL.

ILUK's ultimate parent company is IntegraFin Holdings plc (IHP Group) and it is authorised to undertake long term insurance business by the Prudential Regulatory Authority (PRA). It is regulated by the PRA and the Financial Conduct Authority (FCA).

ILUK's purpose is to provide the onshore, long-term insurance business, tax efficient savings wrappers to the clients of IFAL as an integral part of the Transact wrap service and our goal is to provide a service that makes the process of financial planning easier for clients and their financial advisers. At the heart of this, but not restricted to this alone, is the provision of Transact.

Transact operates, and continues to be improved, in such a way that it provides a high quality and indispensable service for its clients. Whilst we will never put barriers in the way of clients who no longer wish to use Transact, our aim is to ensure they should never need or want to leave.

We operate with flexibility and entrepreneurship, while ensuring compliance with law and regulation. We will always act fairly and honestly with all parties.

These principles align to IHP Group's strategy and as such they provide a framework for the way IFAL Group operates. This, in turn, sets the tone for IFAL Group's risk management framework.

Performance review and financial results

As at 30 September 2020, linked funds under direction (FUD) were £16.48 billion (2019: £15.12 billion). During the year inflows decreased by £129.9 million to £2,231.3 million and outflows decreased by £14.6 million to £761.7 million. Inflows have decreased due to the impact of the COVID-19 pandemic, which has caused a global economic downturn plus, more locally, Brexit uncertainty remains. However, outflows remain within expectation, as a percentage of opening FUD.

As at 30 September 2020, the Company had a total in force policy count of 75,221 pensions (2019: 71,614), 6,091 onshore bonds (2019: 5,503) and 39 qualifying savings plans (2019: 48). The Company continues to increase the number of clients and advisers on the platform and FUD continues to grow year on year.

The Company recorded a profit after tax of £22.0 million for the current year (2019: £19.6 million). This is an increase of 12% due to the growth in the average value of FUD over the year and increase in the number of open tax wrappers.

Profit after tax for financial year 2019 has been restated to £19.6 million, an increase from £18.7 million, and an adjustment to 2019 opening retained earnings has been made of £5.4m. The restatement of profit after tax across prior years is attributable to changes in the treatment of tax reserves. Tax relief on corporate expenses and the effect of a structural difference in the UK policyholder taxation regime relating to the shareholder profits taxable at the corporation tax rate of 19%, accumulated over several years, has been released.

At year end the Company's net assets were £41.1 million (2019: £35.1 million)

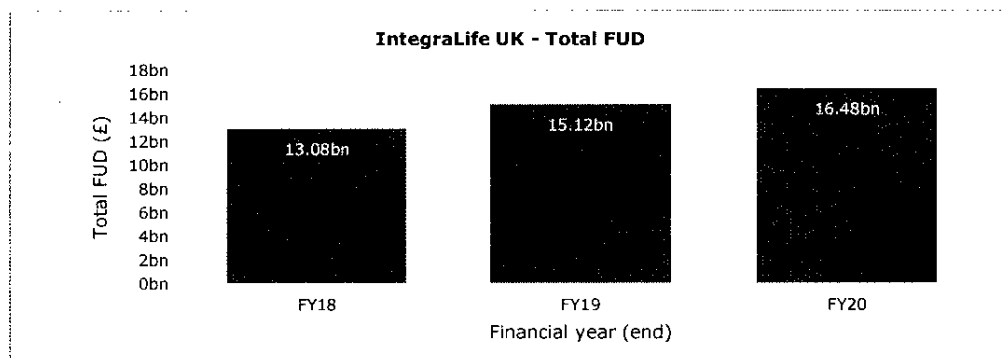
IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

Key performance indicators

The Board of ILUK (the Board) has set key performance indicators which it uses to measure the performance of the Company. A summary of the key performance indicators illustrating the three year trends is shown in the charts below.

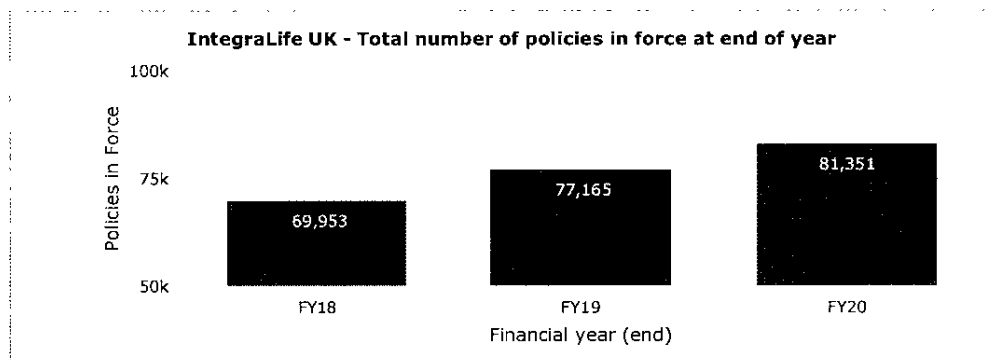
FUD

FUD has increased by 9% to £16.48 billion at the end of the year (2019: £15.12 billion). This is largely due to net inflows of £1.47 billion (2019: £1.58 billion).



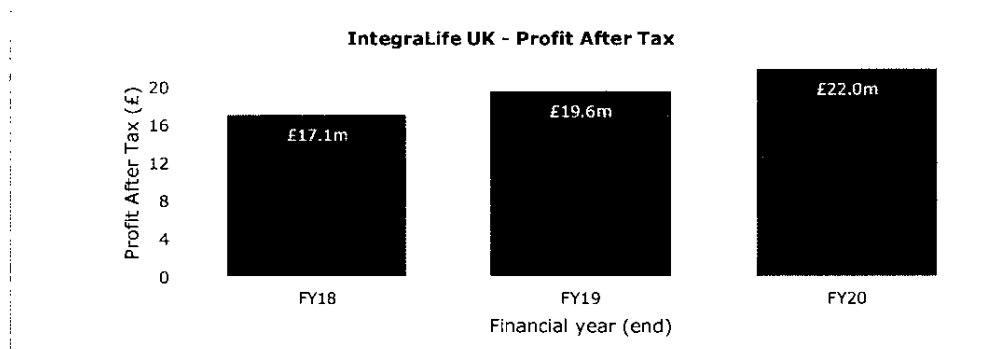
Policies in force at year end

The number of policies in force has shown stable growth, and grew 5% year on year.



Earnings

Earnings grew by £2.4m in the financial year to £22.0 million (2019: £19.6 million), growth of 12%, which demonstrates the strength of the business model and expense management.



IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

Risk and risk management

Overview

Risk management assists the Board in understanding its current and future risks and provides appropriate risk management information that is incorporated into its strategic decision making and business planning process. Risk management activities encompass all financial, strategic and operational risks that may prevent the Company from fulfilling its business objectives.

Our clients can access their investments on demand but, because we fully match the surrender value, movements in investment values as well as changes in mortality, morbidity and longevity rates have little impact on our ability to meet liabilities though they can have a second order impact on the emergence of profit. The Company has a prudent capital management approach and currently invests surplus shareholder assets in high quality, highly liquid, short-dated investments.

How risks are managed

The risk management framework is developed, managed and embedded throughout the wider IntegraFin Holdings Group (IHP Group) in a consistent manner, promoting a culture of risk awareness and risk ownership. It comprises our systems of governance, risk appetite and risk management processes.

The Risk Management Policy provides general guidelines for the design and implementation of the Risk Management Framework with the ILUK Board (the Board) responsible for establishing the risk strategy and senior management responsible for embedding its implementation into the culture and practices of the business. The Risk Management Policy is reviewed at least on an annual basis and all material changes to this policy are considered by the IFAL Group Risk Committee (Risk Committee) and approved by the Board.

Risk governance

The Risk Management Framework defines risk governance as the combination of processes and structures implemented by the Board in order to inform, direct, manage and monitor the activities of the Company towards the achievement of its objectives.

The Board, through the Risk Committee, is responsible for and provides oversight of the Company's Risk Management Framework and Own Risk Self Assessment (ORSA). The Risk Committee is made up of independent non-executive directors (NEDs) and is responsible for reviewing the manner in which the IFAL Group companies implement, and monitor the adequacy of, the Risk Management Framework. The Risk Committee assists in fostering a culture that encourages good stewardship of risk and emphasises and demonstrates the benefits of a risk-based approach to management across the IFAL Group.

Risk culture

Risk culture is defined by the following statements:

- The Company adopts a risk culture that has risk management informing its strategic decision making and business planning process.
- The Company pro-actively seeks to identify risks through its risk horizon scanning process.
- The Risk Committee assists the Board in fostering a culture within the Company that encourages good stewardship of risk and emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Company.

IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

- The Company manages its risks within a robust and embedded risk culture. This is achieved by:
 - continuous risk management training and communication at all levels;
 - close relationship and coaching from the Risk Management function to all areas of the business; and
 - incorporating risk management objectives in job descriptions and roles and responsibilities.
- We believe training is essential to integrate the risk management culture into the business.

Risk appetite

Reviewed and approved at least annually by the Board, the risk appetites define the degree of risk the Company is prepared to accept in pursuit of its strategic and operational objectives subject to meeting regulatory capital requirements.

The Company has generally adopted a conservative approach which is reflected in its risk appetite values and in the overall approach to risk management. The Company's actual risk exposures are assessed against risk appetite using a comprehensive set of indicators and reported to the Risk Committee. Risk assessments are addressed within this body and reported to the Board, to ensure the Company remains within its agreed risk appetite as defined by the Board.

The Company's risk preferences are articulated as follows:

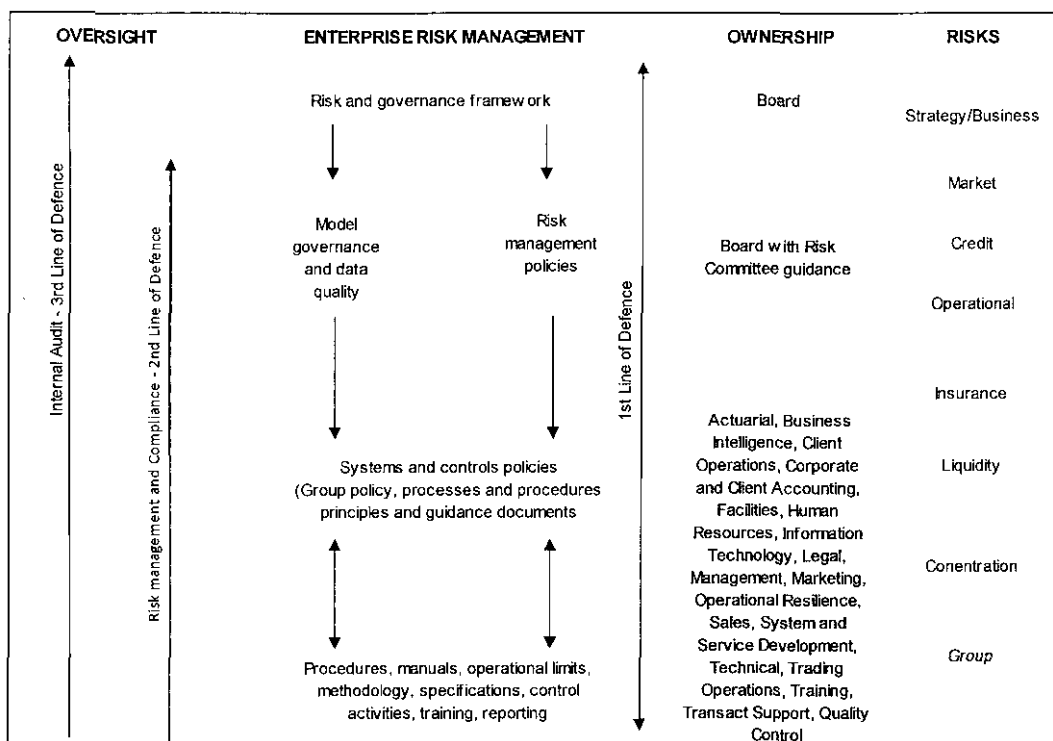
- The Company ensures risks that are taken are aligned with our strategic aims and provide an acceptable level of return.
- The Company accepts certain business risks (e.g. lapse, market, expense, operational, new business) and ensures these are appropriately managed and mitigated if required.
- The Company has a preference for products with low capital requirements and without financial guarantees. Additionally, the Company has a preference for secondary market risk through charges determined based on clients' linked policy values. This is central to the Company's proposition and we accept the potential impact on financial performance.
- The Company has limited preference for life liability risks provided it fits within our strategic aims.
- The Company does not actively seek to take operational risk to generate returns. It accepts a level of operational risk that means the controls in place should prevent material losses, but should not excessively restrict business activities.
- The Company has very limited risk appetite for unfair client outcomes arising from systematic failures in its cultural outlook or in any element of the client life cycle.
- The Company has very limited risk appetite for material regulatory breaches.

The risk management process

The Board, through the IFAL Group Risk Committee, is responsible for and provides oversight of the Company's Risk Management Framework and Own Risk and Solvency Assessment ("ORSA") process. We have established our framework with consideration of the Committee of Sponsoring Organisation of the Treadway Commission ("COSO") Integrated Framework Principles, providing a consistent approach to identification, assessment, mitigation and reporting of risks throughout the Company and the wider group. The ORSA is a key part of the framework and by applying the ORSA process the Company actively manages its current and future risks.

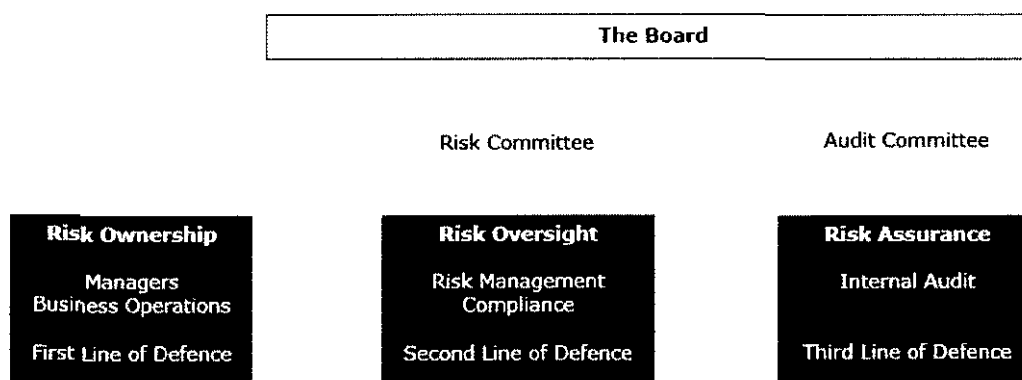
IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

The Risk Management Framework is shown below:



The Risk Management Framework is delivered through the 'three lines of defence' model (illustrated below) which provides at least three stages of oversight to ensure that the Company operates within the risk appetite defined by the IFAL Group Risk Committee and approved by the Board.

The "Three Lines of Defence" Risk Governance Model of ILUK



The Company implements a comprehensive "top-down" and "bottom-up" approach to managing risks through regular monitoring (including horizon scanning) and reporting in conjunction with senior management and risk owners. Risk Management reports to the IFAL Group Risk Committee, on at least a quarterly basis, information and analysis on the key risks the Company faces (including forward looking risks), solvency capital requirements and comparison against risk appetite.

IntegralLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

For risk management to be effective it is important that the roles and responsibilities of all those involved are clearly defined.

The first line of defence is its business departments which have responsibility for managing and controlling their risks in accordance with agreed risk appetites through the implementation of a sound set of processes and controls.

Responsibility for risk management resides at all levels within the Company's business lines, from the senior management team to department and team managers. All staff members are accountable for managing risks within the business areas for which they are responsible, ensuring compliance with prescribed company plans, policies and prevailing regulatory and legislative requirements.

The business lines are also responsible for complying with the policies and standards which comprise the Risk Management Framework. Current key risks and issues facing the Company are considered by the management team, with each key risk owned by the member of the management team who is responsible for the strategic management of that risk.

The second line of defence comprises of two functions: the Risk Management function and the Compliance function.

The Risk Management function is responsible for co-ordinating all the risk management activities within the business. This includes the development, maintenance and enhancement of the Risk Management Policy and Framework, as well as Risk Management reporting.

The Compliance function is primarily responsible for supporting the Company to ensure that its activities are conducted in accordance with all applicable regulatory requirements.

The third line of defence is the Internal Audit department, which provides independent assurance on the adequacy and effectiveness of the Company's risk management and major business process control arrangements. The Head of Internal Audit reports directly to the Chairman of the IFAL Group Audit Committee, which is comprised solely of independent NEDs.

Internal Audit conducts regular audits on the implementation and effectiveness of the Risk Management Policy and Framework across the business. *The results of these audits are reported to the Audit Committee and the Board. The Board is satisfied that Internal Audit provides sufficient assurance about the Risk Management Policy and Framework.*

Stress and scenario testing

Risk models are used as part of stress and scenario testing to determine the financial stability of the Company. This involves testing beyond normal operational capacity, often to a breaking point, in order to observe the outcomes and evaluate available management actions. The stress testing outcomes provide additional information to adjust the Company's strategy and business planning.

The Company carries out different types of testing:

- Sensitivity testing, where one risk factor is assumed to vary mildly and others are assumed to remain unchanged;
- Stress testing, where one risk factor is assumed to vary more severely and others are assumed to remain unchanged;
- Scenario testing, where a combination of risk factors are assumed to vary to generate an extreme but plausible event; and
- Reverse stress testing, where risk factors are assumed to be stressed to such an extent as to break the business model.

The Going Concern section in Note 2 details various scenarios which have been considered that give specific consideration to COVID-19.

IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

Principal risks and uncertainties

Following the COVID-19 pandemic, ILUK and the wider Group put into place a number of business continuity measures to continue the running of its operations whilst UK Government imposed 'lockdowns' were in place.

From 23 March 2020, following the UK lockdown, all staff across the Group were working from home (remote working). Our UK staff continue to work remotely and this is regularly reviewed. Throughout the lockdown period there has been a small number of essential staff who have been into the Clement's Lane office in order to maintain the continuity of the business operations and key systems. In all instances Government advice and guidelines have been followed.

The change in the Group's operating environment required a number of process and control changes to be put into place at short notice. These process changes were captured and assessed by Risk Management. In the event of a second UK lockdown, the Group will respond in line with its updated BCP arrangements.

ILUK and the Group continue to maintain operations through a remote working model with support from an internal service provider within the IntegraFin Group, IFAL and outsource arrangements of certain activities to external third parties. The overall risk profile of ILUK and the IFAL Group has not materially changed and this is regularly assessed with oversight and challenge by Risk Management.

Despite the challenging operating environment, there have been no significant changes in the principal risks for the Company in the past year. Due to the nature of the policies written by the Company, i.e. carrying limited mortality risks, its profitability arises primarily from charges on the assets held in the linked policies less the expenses of administering those policies. Thus, the predominant risk types arising from the Company's ORSA are lapse risk, expense risk, market risk and operational risk.

The Company seeks to limit its exposure to any other insurance and financial risks.

Following the UK's departure from the EU on 31 January 2020, the UK entered into an 11-month transition period to allow for negotiations between the UK and EU on their future relationship. There remains much uncertainty in relation to the eventual outcome of those negotiations, which is giving rise to some delays or deferrals of investment decisions by businesses and individuals. This uncertainty is likely to continue until clarity is obtained in relation to the likely form and shape of the UK's trading relationships with the EU and other countries with whom it has, or wishes to have, significant trading relationships thereafter. In addition, as a significant proportion of the current and anticipated regulatory regime applicable to ILUK is derived from EU Directives and Regulations, the end of the transition period could materially change the legal and regulatory framework applicable to the Group's operations because ILUK may no longer be required to adhere to the EU Directives and Regulations, including in relation to regulatory capital requirements.

The following tables (split between financial and non-financial) describe the key risks of the Company with a summary description of how the Company manages and mitigates the risks:

Financial Risks	
Key risk description	Management and controls
Lapse risk – loss of future profits due to more clients than expected terminating policies.	Lapse risk is mitigated by focusing on providing exceptionally high levels of service. Lapse rates are closely monitored and unexpected experience is investigated. Despite the current challenging and uncertain economic and geopolitical environment, policy lapse rates remain stable and within historical norms.
Expense risk – administration costs exceed expense allowance, which can occur due to costs increasing faster than expected or	Expense risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan,

IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

from one-off expense "shocks".	which is set and approved by the Board on an annual basis.
Market risk - the impact changes in equity and property market values, currency exchange rates, credit spreads, interest rates and inflation, may have on the value of clients' portfolios, resulting in a reduction in future charges or an increase in future expenses.	<p>The Company only suffers a second order impact from market movements as future charges are predominantly determined based on clients' linked policy values. Clients hold the primary investment risk on these asset types as the assets and liabilities are fully matched and the Company does not offer any guarantees on policy values.</p> <p>The Company mitigates the second order market risk by applying fixed per policy charges in addition to the charges determined based on clients' linked policy values, offering an element of diversification to its income stream.</p> <p>Furthermore, the Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments.</p> <p>Expense inflation risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan.</p>
Liquidity risk - this is the risk of the Company not having available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.	There are robust controls in place to mitigate liquidity risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure and associated liquidity denial.
Credit risk - this is the risk of loss due to defaults from holdings of cash and cash equivalents, deposits, formal loans and reinsurance treaties with banks and financial institutions.	The Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments. Maximum counterparty limits are set for banks and minimum credit quality steps are set for both banks and reinsurers.

Non-financial Risks	
Key risk description	Management and Mitigation
Regulatory risk - the risk of new regulatory requirements having adverse impacts on the business model, or failing to comply with existing or new regulations resulting in a fine or regulatory censure.	<p>Regulatory risk is mitigated through regular monitoring of regulatory developments and maintaining open and transparent dialogue with the regulators.</p> <p>On-going compliance with existing rules is monitored by the Compliance Function with additional assurance provided by the Internal Audit function for the key regulatory risks on a regular basis.</p>
Operational risk - the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.	<p>Operational risk arises mainly from the Company defaulting or poorly executing against its regulatory, compliance and expected service requirements whilst administering its business through Third Party Administration arrangement both internally with IntegraFin Services Limited, another company within the IntegraFin Group and IFAL.</p> <p>The key operational risks are information security, IT infrastructure and business continuity related, all of which include exposures to cyber risks.</p>

IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

	<p>The Company aims to minimise operational risk at all times through a strong and well-resourced control and operational structure, combined with continuous investment in both people and systems. This is supported by a comprehensive understanding of the business processes and a strong corporate governance structure that is responsive to the strategic operational needs of the Company and the IntegraFin Group as a whole.</p> <p>In particular, the IntegraFin Group has in place a dedicated financial crime team and an on-going fraud and cyber risk awareness programme. Additionally, the Group carries out regular IT system maintenance, business continuity planning testing and system vulnerability testing.</p>
Competition risk – the risk of competitor activity resulting in loss of new business, increased lapse of existing business or pressure on profit margins.	Competitor risk is mitigated by focusing on providing exceptionally high levels of service and being responsive to client and financial adviser demands through an efficient expense base.
Geopolitical risk – the risk of changes in the political landscape disrupting the operations of the business or resulting in significant development costs	Geopolitical risk cannot be directly mitigated by the Company, but through close monitoring of developments through its risk horizon scanning process, potential impacts are taken into consideration as part of the business planning process.
Reputational risk – the risk that current and potential clients' desire to do business with the Company reduces due to perception of the Transact service in the market place.	<p>Clients don't directly purchase policies from ILUK – they are provided as part of the Transact wrap service. Therefore the reputation of the Transact brand is where the risk lies.</p> <p>The Transact brand is exposed to a wide range of future events which may have a significant adverse impact on its reputation. These include consequences of operational risk events e.g. errors, fraud or regulatory fines. In these cases, reputational risk would be triggered on the event of the operational risk failure becoming public knowledge. External reputational risk could also arise from public opinion of the wrap sector as a whole diminishing. Reputational risk can be triggered by a one-off event resulting in a significant loss or could be the result of a gradual decline in how the Company is perceived.</p> <p>The Risk Management Framework provides the monitoring mechanisms to ensure that reputational damage controls operate effectively and reputational risk is mitigated, to some extent, by internal operational risk controls, error management and complaints handling processes as well as root cause analysis investigations.</p>

IntegraLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

Companies Act Section 172

The directors have a duty, under Section 172 of the Companies Act, to act in a way and in good faith, to promote the success of the Company for the benefit of its members as a whole.

The following sets out the different matters that the directors must have regard to and how they have fulfilled their duties during the financial year.

Consideration	What the directors have done
Long term consequences of decisions	ILUK's purpose and goals are stated in the Strategic Report on page 2, and the principal risks and uncertainties to being able to deliver these in the future are set out on pages 8 - 10. The directors make strategic decisions on future direction, investment and stakeholder value, based on the clear, sustainable, long term Company and IHP Group objective of delivering financial services infrastructure and associated services to UK advisers and mutual clients.
The interests of the Company's employees	The Company has no employees.
Fostering business relationships	The Company ensures suppliers are paid within payment terms and does not seek to disadvantage or compromise suppliers with whom we do business.
The impact of operations on the community and environment	The directors of the Company, as part of IHP Group, recognise that we have a responsibility to minimise the impact of the Company's business conduct on the environment.
Maintaining a reputation for high standards of business conduct	The focus of the Company's business is delivering impeccable service to clients and their advisers through investment in infrastructure. The directors recognise that the service is only as good as the technology and people behind it and that the IHP Group's reputation is built on high standards of business conduct which must be maintained in order for the business to thrive and grow. The directors also recognise that maintaining strong, open and productive relationships with the regulator is also business critical.
Acting fairly between members of the Company	There is only one shareholder, as 100% of the share capital in the Company is held by Integrated Financial Arrangements Ltd.

IntegralLife UK Limited
Strategic Report (continued)
For the year ended 30 September 2020

Viability statement

The Directors have assessed the Company's prospects by reference to the three-year planning period to September 2023 and have reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due over the period of this assessment.

This is based on the Company's business plan and ORSA, which are produced on an annual basis, covering a three year period. The assessments cover projected performance of the Company with regards to profitability, solvency and liquidity, including under stress and scenario tests. Assessments of the economic, regulatory and competitive environments are also included, as well as the current and potential future impact of the principal risks faced by the Company benchmarked against its risk appetite.

By order of the Board



H Wakeford
Company Secretary
Registered Office
29 Clement's Lane
London
EC4N 7AE

13 December 2020

**IntegraLife UK Limited
Directors' Report
For the year ended 30 September 2020**

The Directors present their report and financial statements for the year ended 30 September 2020.

The Directors of the Company who served during the financial year and to date are listed on page 1.

The review of the business and principal risks and uncertainties are disclosed within the Strategic Report.

Directors' interests and emoluments

According to the Register of Directors' interests in the Company, no rights to subscribe for shares or share options were granted or exercised by any of the Directors or their immediate families during the financial year or to date.

Details of the Director emoluments are provided in note 8.

Dividends

During the year the Directors recommended and paid a dividend of £16.0m (2019: £14.0m) and since the accounting year-end the Company continues to be profitable.

Employees

The Company has no employees (2019: nil). Management and administrative services are provided to the Company by IntegraFin Services Limited, a related party of IntegraLife UK Limited and part of the IntegraFin Holdings plc group.

Political donations

No political contributions were made during the year (2019: £nil).

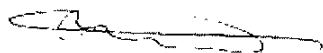
Auditor

KPMG Audit LLC have indicated their willingness to continue in office. In line with section 485 of the Companies Act 2006, a resolution to reappoint KPMG Audit LLC as auditor for the ensuing year will be proposed at the next General Meeting.

Each of the persons who is a Director at the date of approval of this report confirms that:

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

By order of the Board



H Wakeford
Company Secretary
Registered Office
29 Clement's Lane
London
EC4N 7AE

13 December 2020

Integral life UK Limited
Statement of Directors' Responsibilities
For the year ended 30 September 2020

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**IntegraLife UK Limited
Independent Auditor's Report
For the year ended 30 September 2020**

Independent auditor's report to the members of Integralife UK Limited

1 Our opinion is unmodified

We have audited the financial statements of IntegraLife UK Limited ("the Company") for the year ended 30 September 2020 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by The Directors on 30 June 2005. The period of total uninterrupted engagement is for the 15 financial years ended 30 September 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters. These are unchanged from 2019, with the exception that this year tax provisions has been included as additional key audit matter.

IntegralLife UK Limited
Independent Auditor's report (continued)
For the year ended 30 September 2020

<p>Valuation of investments for which there is no quoted price in an active market (levels 2 and 3) (£262m; 2019: £253m)</p> <p><i>Refer to pages 4-10 of the Strategic report, note 2 (q) (accounting policies) and note 26 (financial disclosures).</i></p>	<p>The risk</p> <p>Subjective valuation 1.6% (£253m) of the Company's total assets (by value) are held in investments where no quoted market price is available in an active market for identical assets. Such investments are measured at fair value, which is established with quoted prices or by comparison to similar instruments for which observable prices exist. There is a significant risk over the valuation of these investments.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the value of such investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.</p>	<p>Our response</p> <p>Our procedures included:</p> <p>Control design:</p> <ul style="list-style-type: none"> - Assessing the design and implementation of the investment valuation processes and controls; <p>Control operation:</p> <ul style="list-style-type: none"> - Testing the operating effectiveness of the control in place for the automated price import from third party pricing feeds and testing the operating effectiveness of controls in place for the identification of stale prices; <p>Our investment pricing expertise:</p> <ul style="list-style-type: none"> - Engaging our pricing specialists on a sample basis to independently price such investments using observable input parameters derived from the assets directly (i.e. as prices quoted for that particular asset) or indirectly (i.e. derived from prices of comparable instruments) <p>Our results: We found the valuation of such investments to be acceptable (2019: acceptable).</p>
<p>Tax provisions (£24.7m; 2019: £17.8m)</p> <p><i>Refer to page 2 of the Strategic report, note (o) (accounting policies), note 22 (tax provisions) and note 31 (Restatement of prior years)</i></p>	<p>Calculation error Included within liabilities are £24.7m of tax provisions. The Company applies charges to unit-linked funds in respect of amounts which are estimated to become payable to HMRC. The determination of these reserves involves complex calculations and interpretation of tax legislation.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Our tax expertise: Use of our own tax specialists to assess the Company's tax positions and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the UK legislation by the relevant authorities; — Assessing transparency: Assessing the adequacy of the Company's disclosures in respect of tax provisions and the prior year restatement. <p>Our results: During the course of our work, the cumulative effect of structural differences in the UK policyholder taxation regime was identified. A correction was needed in order to reduce cumulative tax provisions as at 30 September 2020 by £7.3m, of which £952k related to the year then ended and £6.3m related to previous periods. Prior year figures have been restated accordingly to reflect the change in treatment of tax reserves (refer note 31)</p>
<p>Valuation of investments for which there is a quoted</p>	<p>Low risk, high value The Company's portfolio of quoted investments makes up 91%</p>	<p>Our procedures included:</p> <p>Control design:</p>

Integralife UK Limited
Independent Auditor's report (continued)
For the year ended 30 September 2020

<p>price in an active market (£15bn; 2019: £13.8bn)</p> <p><i>Refer to pages 4-10 of the Strategic report, note 2 (q) (accounting policies) and note 26 (financial disclosures).</i></p>	<p>(£15bn) of the Company's total assets (by value - £16.6bn) and is considered to be one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>- Assessing the design and implementation of the investment valuation processes and controls; Control operation: - Testing the operating effectiveness of the controls in place for the automated price import from third party pricing feeds. Our investment pricing expertise: - Using our own pricing specialists to agree 100% of the quoted investments in the portfolio to externally obtained prices. Our results: We found the valuation of quoted investments to be acceptable (2019: acceptable).</p>
<p>Split of investments and cash held for the benefit of the policyholders between other group entities (£16.5bn; 2019: £15.1bn)</p> <p><i>Refer to pages 4-10 of the Strategic report, note 2 (g) (accounting policies) and note 26 (financial disclosures).</i></p>	<p>Appropriate input <i>The investments and cash held for the benefit of the policyholders are held within group pooled account facilities. There lies a risk that the split of cash and investments between those attributable to the parent group pooled accounts are not correctly recorded such that policyholder investments and cash could be inappropriately allocated to the incorrect entity sharing the pooled facility.</i></p>	<p>Our procedures included: Control operation: - Testing the operating effectiveness of key internal controls and general IT controls over the policy system which tracks each policyholder investment and cash transaction. - Testing the system generated reconciliation which details the investment and cash holdings balance per entity utilising the pooled facility. Tests of details: - Agreeing 100% of cash held to independent bank confirmations in respect of relevant pooled cash balances. We also agreed the Company balances into the pooled facility cash reconciliations. - Agreeing individual investment holdings making up the total pooled facility on a sample basis to independent custodian confirmations. - Agreeing the total pooled cash and investment holding balances to the parent company operating the pooled facility. Our results: We found the split of investments and cash held for the benefit of the policyholders to be acceptable (2019: acceptable).</p>

Integralife UK Limited
Independent Auditor's report (continued)
For the year ended 30 September 2020

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company's financial statements has been set at £1.2m, determined with reference to a benchmark of Profit before tax, of which it represents 5%. In the prior year Company's financial statements materiality was set at £1.1m, also determined with reference to Profit before tax.

In addition, we have set a higher materiality at £120m (2019:£109.4m) solely for the purpose of identifying and evaluating the effect of misstatements that lead to a reclassification between line items within policyholder assets and liabilities and associated income statement line items, to the extent that any such balances offset and have no net impact on the shareholder's equity and reserves. This has been determined with reference to 0.75% (2019:0.75%) of total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £49,000 (2019: £43,000), in addition to other identified misstatements that warranted reporting on qualitative grounds. For certain financial statement captions, as referred to above, any corrected or uncorrected identified misstatements exceeding £3.2m (2019: £3m) have been reported to the Audit Committee.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of a disorderly Brexit and impact of COVID-19, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements;

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the Strategic Report and the Directors' Report

The Directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and

IntegraLife UK Limited
Independent Auditor's report (continued)
For the year ended 30 September 2020

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 14, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, *whether due to fraud or error*; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience through discussion with the Directors (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, we had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and the Prudential Regulation Authority (PRA) requirements. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

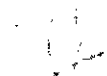
Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. In particular, we considered the impact of laws and regulations in the specific areas of solvency requirements, recognising the financial and regulated nature of the Company's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and inspection of regulatory and legal correspondence.

IntegraLife UK Limited
Independent Auditor's report (continued)
For the year ended 30 September 2020

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

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.



Nicholas Quayle (Senior Statutory Auditor)
for and on behalf of KPMG Audit LLC, Statutory Auditor

Chartered Accountants

Heritage Court

41 Athol Street

Douglas

Isle of Man

IM1 1LA

15 December 2020

IntegraLife UK Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 September 2020

		2020	Restated
	Note	£'000	2019
			£'000
Revenue			
Interest income		66	99
Fee income	5	47,124	43,146
Investment return	6, 23	57,980	614,705
Change in investment contract liabilities		70,478	(497,582)
Amortisation of deferred income liability	25	7,247	6,951
Total revenue		182,895	167,319
Cost of sales		(243)	(200)
Gross profit		182,652	167,119
Expenses			
Amortisation of deferred acquisition costs	18	(7,247)	(6,951)
Fee and commission expenses	23	(128,434)	(117,108)
Administrative expenses	7	(21,195)	(20,131)
Impairment losses on financial assets		(24)	(3)
Total expenses		(156,900)	(144,193)
Other income and expenses			
Other income	9	7,082	18,102
Other expenses	10	(9,077)	(10,034)
		(1,995)	8,068
Profit before policyholder and shareholder tax		23,757	30,994
Policyholder taxation	12	3,066	(6,969)
Profit before shareholder taxation		26,823	24,025
Shareholder taxation	12	(4,842)	(4,385)
Profit after policyholder and shareholder tax		21,981	19,640
Other comprehensive income		-	-
Total comprehensive income for the financial year		21,981	19,640

The notes on pages 25 to 48 form an integral part of these financial statements.

The Directors consider that all results derive from continuing activities.

IntegralLife UK Limited
Statement of Changes in Equity
For the year ended 30 September 2020

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Non-distributable reserves £'000	Total equity-shareholders funds £'000
Balance at 1 October 2018		1,000	700	22,328	36	24,064
Adjustment to retained earnings	30	-	-	5,407	-	5,407
Restated balance at 1 October 2018		1,000	700	27,735	36	29,471
Profit for the year (restated)	30	-	-	19,640	-	19,640
Dividends paid	11	-	-	(14,000)	-	(14,000)
Balance at 1 October 2019		1,000	700	33,375	36	35,111
Profit for the year		-	-	21,981	-	21,981
Dividends paid	11	-	-	(16,000)	-	(16,000)
Balance at 30 September 2020		1,000	700	39,356	36	41,092

Non-distributable reserves arose due to transition from UK GAAP to IFRS in financial year 2015, whereupon actuarial reserving required under the old standards became impermissible under new standards.

The notes on pages 25 to 48 form an integral part of these financial statements.

IntegraLife UK Limited
Statement of Financial Position
As at 30 September 2020

		2020	Restated	Restated
	Note	£'000	2019	1 October
			£'000	2018
				£'000
Assets				
Cash and cash equivalents	13	1,348,712	1,165,866	1,077,437
Other investments	14	2,975	2,996	3,001
Other prepayments and accrued income	15	6,042	5,687	5,099
Other receivables	16	2,276	4,512	3,036
Investments held for the benefit of policyholders	17	15,193,128	14,013,917	12,051,622
Deferred acquisition costs	18	51,777	48,789	44,372
Total assets		16,604,910	15,241,767	13,184,567
Liabilities				
Other payables	21	2,337	1,973	2,028
Current tax liability		-	1,797	1,401
Tax provisions	22	24,703	17,779	13,146
Liabilities for linked investment contracts	23	16,476,154	15,123,131	13,081,579
Deferred tax liabilities	24	8,847	13,187	12,570
Deferred income liabilities	25	51,777	48,789	44,372
Total liabilities		16,563,818	15,206,656	13,155,096
Net assets		41,092	35,111	29,471
Capital and reserves				
Share capital	19	1,000	1,000	1,000
Share premium account	20	700	700	700
Non-distributable reserves		36	36	36
Retained earnings		39,356	33,375	27,735
Total equity attributable to equity holders		41,092	35,111	29,471

The notes on pages 25 to 48 form an integral part of these financial statements.

These financial statements were approved at the meeting of the Board of Directors on 13 December 2020 and signed on its behalf by:



Alexander Scott
Director

Company registered number: 00798365

IntegraLife UK Limited
Statement of Cash Flows
For the year ended 30 September 2020

The cash flows presented in this statement include flows from shareholder and policyholder activities.

	2020	Restated
	£'000	2019
		£'000
Cash flows from operating activities		
Profit before taxation	23,757	30,994
Adjustments for:		
Amortisation of deferred income liability	(7,247)	(6,951)
Amortisation of deferred acquisition costs	7,247	6,951
Interest received	(66)	(144)
Movement in provisions	1,543	5,585
Movement in retained earnings	5,407	(808)
(Decrease)/increase in payables	363	(56)
Decrease/(increase) in receivables	1,348	(1,919)
Cash generated from operations	32,352	33,652
Net tax paid	(1,776)	(11,354)
Movement in current tax liability	(1,289)	107
Movement in tax on deferred acquisition costs	(4,340)	618
	(7,405)	(10,629)
Cash flows from operating assets and liabilities		
(Increase) in investments held for the benefit of policyholders	(1,179,211)	(1,962,295)
(Increase)/decrease in investment income	(5,426)	16,766
Increase in liabilities for linked investment contracts	1,358,449	2,024,786
	173,812	79,257
Net cash from operating activities	198,759	102,280
Cash flows from investing activities		
Gain on other investments	21	5
Interest received	66	144
	87	149
Cash flows from financing activities		
Equity dividends paid	(16,000)	(14,000)
Net cash used in financing activities	(16,000)	(14,000)
Increase in cash	182,846	88,429
Cash and cash equivalents at the beginning of the year	1,165,866	1,077,437
Cash and cash equivalents at the end of the year	1,348,712	1,165,866

The notes on pages 25 to 48 form an integral part of these financial statements.

Integralife UK Limited
Notes to the Financial Statements
For the year ended 30 September 2020

1 General information

Integralife UK Limited ("the Company") is a limited company incorporated in England. The address of the registered office is disclosed in the company information section on page 1. The principal activities of the Company are disclosed in the Strategic Report.

2 Significant accounting policies

a) Statement of compliance

As permitted under relevant company law, the Company has chosen to prepare these financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and as endorsed by the European Union (EU).

The IFRS adopted by the EU and applied by the Company are those that were effective as at 30 September 2020. These have been consistently applied for the preparation of the financial statements.

b) Basis of preparation

The financial statements have been prepared and approved by the Directors in accordance with Part 15 of the Companies Act 2006, Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, which are stated at their fair value, have been prepared and presented in pounds sterling, which is the functional currency of the Company, and are rounded to the nearest thousand.

Going concern

The financial statements have been prepared on a going concern basis, following an assessment by the board.

Going concern is assessed over the 12 month period from when the Financial Statements are approved, and the board has concluded that the Company has adequate resources to continue in operational existence for the next 12 months. This is supported by:

- The current financial position of the Company;
 - The Company maintains a conservative balance sheet and manages and monitors solvency and liquidity on an ongoing basis, ensuring that it always has sufficient financial resources for the foreseeable future.
 - As at 30 September 2020, the Company had £37.1 million of corporate cash on the balance sheet, demonstrating that liquidity remains strong.
- Detailed cash flow and working capital projections; and
- Stress-testing of liquidity, profitability and regulatory capital, taking account of possible adverse changes in trading performance, including the impact of COVID-19.

When making this assessment, the board has taken into consideration both the Company's current performance and the future outlook, including the impact of the COVID-19 pandemic. Market volatility and uncertainty is expected to continue for some time, due to the pandemic and the effect of measures taken to combat it, but the Company's fundamentals remain strong.

Stress and scenario testing has been carried out, in order to understand the potential financial impacts of severe, yet plausible, scenarios on the Company. The following scenarios have been considered that give specific consideration to COVID-19:

- A prolonged economic downturn as COVID-19 cases increase, leading to a reduced investor propensity for savings

IntegralLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

2 Significant accounting policies (continued)

- Loss of investor confidence in capital and investment markets due to an extended period of pandemic, combined with the end of the transitional period with the EU
- Loss of investor confidence (as above), combined with an internal cyber attack

Having conducted detailed cash flow and working capital projections, and stress-tested liquidity, profitability and regulatory capital, taking account of the impact of the COVID-19 pandemic and further possible adverse changes in trading performance, the board is satisfied that the Company is well placed to manage its business risks.

The board is also satisfied that it will be able to operate within the regulatory capital limits imposed by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA). Accordingly, the board does not believe a material uncertainty exists that would have an effect on the going concern of the Company and have prepared the financial statements on a going concern basis.

c) New accounting standards

IFRS 16 Leases

IFRS 16 is effective for periods commencing on or after 1 January 2019. The company has performed an assessment regarding the impact of IFRS 16 and, due to there being no lease agreements entered into by the company, there is no impact.

d) Future standards, amendments to standards, and interpretations not early-adopted in the 2020 annual financial statements.

IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 and will replace IFRS 4 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The Company would be required to provide information that faithfully represents those contracts, such that users of the financial statements can assess the effect insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is effective for accounting periods beginning on or after 1 January 2023.

The Company has performed a preliminary assessment regarding the impact of IFRS 17 on the financial statements and, due to the vast majority of contracts written by the business being investment contracts, it is deemed such impact will be negligible.

e) Investment contracts - classification

The Company writes unit linked investment business classified as investment contracts. Investment contracts are financial instruments that do not meet the definition of an insurance contract as they do not transfer significant insurance risk from the policyholder to the company. The Company has performed an assessment of the policy types offered, and due to the transfer of risk being not significant and immaterial, it is considered appropriate to treat all contracts as investment contracts.

Investment contracts

Investment contracts are comprised of unit-linked contracts. Investment contracts result in financial liabilities whose fair value is dependent on the fair value of underlying financial assets. They are designated at inception as financial liabilities at 'fair value through profit or loss' and are subsequently treated as such.

Valuation techniques are used to establish the fair value at inception and each reporting date. The Company's main valuation techniques incorporate all factors that market participants would consider and are based on observable market data where available.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

2 Significant accounting policies (continued)

The financial liability is measured both initially and subsequently at fair value. The fair value of a unit-linked financial liability is determined using the fair value of the financial assets contained within the funds linked to the financial liability.

f) Other investments

Other investments comprise UK Government fixed interest securities held as shareholder investments. All investments are classified as 'fair value through profit or loss' at initial recognition' and are stated at quoted bid prices which equates to fair value, with any resultant gain or loss recognised in the income statement. Purchases and sales of securities are recognised on the trade date.

g) Investments held for the benefit of policyholders

Investments held for the benefit of policyholders are stated at fair value and reported on a separate line in the statement of financial position. The assets are classified using the 'fair value through profit or loss' option with any resultant gain or loss recognised through the income statement. Investments held for the benefit of policyholders also includes cash and cash equivalents held within policyholders' portfolios of assets.

Investment inflows received from policyholders are invested in funds selected by the policyholders. The resulting liabilities for linked investment contracts are accounted for under the 'fair value through profit or loss' option, in line with the corresponding assets as permitted by IFRS 9.

As all investments held for the benefit of policyholders are matched entirely by corresponding linked liabilities, any gain or loss on assets recognised through the income statement are offset entirely by the gains and losses on linked liabilities. The net impact on profit through the income statement is therefore £nil.

h) Deferred acquisition costs and deferred income liabilities

Incremental costs directly attributable to securing investment contracts are deferred. These costs consist of establishment charges paid to policyholders' financial advisers. The costs relating to Pension and Life contracts are capitalised as deferred acquisition costs and are amortised over the Directors' best estimates of the lives of the contracts which are deemed to be fourteen and sixteen years respectively (2019: fourteen and sixteen years respectively), over which the services are provided. Equal service provision is assumed over the lifetime of the contract and, as such, the deferred costs are amortised on a linear basis over the expected life of the contract, adjusted for expected persistency.

A corresponding deferred income liability is recognised in respect of charges taken from customers of the Company at the contract's inception to meet obligations to financial advisers. Deferred income liabilities are also amortised over the Directors' best estimates of the lives of the Pension and Life contracts, which are again deemed to be fourteen and sixteen years respectively (2019: fourteen and sixteen years respectively).

At the end of each reporting period, deferred acquisition costs are reviewed for recoverability, against future margins from the related contracts at the statement of financial position date. An impairment loss is recognised in the statement of profit or loss and other comprehensive income if the carrying amount of the deferred acquisition costs is greater than the future margins from the related contracts.

i) Other receivables

Other receivables are non-interest bearing and are stated at their amortised cost, less appropriate allowances for estimated irrecoverable amounts which approximates to fair value.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

2 Significant accounting policies (continued)

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market Open Ended Investment Companies (OEIC) funds and other short-term deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

k) Provisions

Provisions are recognised when the Company has an obligation, legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are estimated at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present values where the effect is material.

l) Other payables

Other payables are short-term, not interest-bearing and are stated at their amortised cost which is not materially different from cost and approximates to fair value.

m) Revenue from contracts with customers

Revenue represents the fair value of services supplied by the Company. All fee income is recognised as revenue in line with the provision of the services.

The Company has discharged all of its obligations in relation to contracts with customers, and the amounts received or receivable from customers equal the amount of revenue recognised on the contracts. All amounts due from customers are therefore recognised as receivables within accrued income, and the Company has no contract assets or liabilities.

Fee income comprises:

Annual commission income

Annual commission is charged for the administration of products on the Transact platform, and is levied monthly in arrears on the value of assets and cash held on the platform.

Wrapper fee income

Wrapper fees are charged for each of the tax wrappers held by clients, and are levied quarterly in arrears based on fixed fees for each wrapper type.

Annual commission and wrapper fees relate to services provided on an on-going basis, and revenue is therefore recognised on an on-going basis to reflect the nature of the performance obligations being discharged.

Other income

This comprises buy commission and dealing charges. These are charges levied on the acquisition of assets, due upon completion of the transaction. Revenue is recorded on the date of completion of the transaction, as this is the date the services are provided to the customer.

n) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that financial asset's carrying amount.

IntegralLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

2 Significant accounting policies (continued)

o) Taxation

The taxation charge is based on the taxable result for the year and comprises both shareholder and policyholder tax, calculated at different rates. The taxable result for the year is determined in accordance with enacted legislation and taxation authority practice for calculating the amount of corporation tax payable.

Policyholder tax comprises corporation tax payable at the policyholder rate on the policyholders' share of the taxable result for the year, together with deferred tax at the policyholder rate on temporary timing differences relating to policyholder items.

With regard to capital gains tax on policyholders' future tax obligations, management has determined that reserves should be held to cover this, based on a reserve charge rate of 19%, this will increase to 20% in the next financial year.

Deferred taxes are calculated according to the statement of financial position method, based on temporary timing differences between reported and tax values of assets and liabilities.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax liabilities are not discounted.

Deferred tax assets are recognised for all temporary timing differences to the extent that it is probable that taxable profit will be available against which the deductible temporary timing difference can be utilised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

p) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated to sterling at the year end closing rate.

q) Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories, based on the business model in which the assets are managed and their cash flow characteristics:

- (i) *Financial assets at fair value through profit or loss*
This category includes financial assets acquired principally for the purpose of selling or repurchasing in the short-term.

Financial instruments in this category are recognised initially and subsequently at fair value. Transaction costs are expensed in the statement of profit or loss and other comprehensive income. Gains and losses arising from changes in fair value are presented in the statement of profit or loss and other comprehensive income within "investment return" in the period in which they arise. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realised or paid beyond twelve months of the balance sheet date, which are classified as long-term.

IntegralLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

2 Significant accounting policies (continued)

(ii) Financial assets at amortised cost

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This is comprised of accrued fees, trade and other receivables and cash and cash equivalents, all of which are included in current assets due to their short-term nature.

Assets held at amortised cost are initially recognised at fair value. Subsequent measurement is at amortised cost using the effective interest method less any expected credit losses.

(iii) Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise trade and other payables. These are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortised cost using the effective interest method. They are classified as current liabilities due to their short-term nature.

Impairment of financial assets

Expected credit losses are required to be measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses from possible default events within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the expected credit losses decrease.

r) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market exit prices and offer prices for liabilities, at the close of business on the reporting date, without deduction for transaction costs.

- i. For units in unit trusts and shares in open ended investment companies, fair value is determined by reference to published exit values in active markets.
- ii. For equity and debt securities not actively traded in organised markets and where the price cannot be retrieved, the fair value is determined using comparison to similar instruments for which market observable prices exist.
- iii. For assets that have been suspended from trading on active markets, the last published price is used. Many suspended assets are still regularly priced. At the date of the Statement of Financial Position, suspended assets are assessed for indications of impairment and adjusted where appropriate.
- iv. Where the assets are private company shares the value disclosed in the latest available set of audited financial statements is used.

s) Dividends

Equity dividends are recognised in the accounting period in which the dividends are declared.

IntegralLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

3 Critical accounting estimates and judgements

Critical accounting estimates are those where there is a significant risk of material adjustment in the next 12 months, and critical judgements are those that have the most significant effect on amounts recognised in the accounts.

In preparing these Financial Statements, management has made judgements, estimates and assumptions about the future that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management uses its knowledge of current facts and applies estimation and assumption techniques that are aligned with relevant accounting policies to make predictions about the future. Actual results may differ from these estimates.

The area where judgements and estimates have the most significant effect in these financial statements is the tax provision for its subsidiary, ILUK.

The assessment to recognise a provision comes from an evaluation of the likelihood of a constructive or legal obligation, and whether that obligation can be estimated reliably.

The provision required has been calculated based on an estimation of tax payable to HMRC and refunds payable back to policyholders.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4 Risk and risk management

This note supplements the details provided in the 'Risk and risk management' section of this report on pages 4 to 10.

Risk assessment

Risk assessment is the determination of quantitative values and/or qualitative judgements of risk related to a concrete situation and a recognised threat. Quantitative risk assessment requires calculations of two components of risk, the magnitude of the potential impact, and the likelihood that the risk materialises. There are also qualitative aspects that are more difficult to express quantitatively, but are still taken into account in order to fully evaluate the impact of the risk on the organisation.

(1) Market risk

Market risk is the risk of loss arising either directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and other financial instruments.

Market risk from reduced income

ILUK's income is exposed to market risk. As the unit-linked policies are fully matched, any fall in asset prices will cause a fall in the value of the unit-linked policies of equal magnitude. The Company's main source of income is derived from a tiered fee structure where the annual fee is directly linked to the value of the unit-linked policies.

The Company mitigates the second order market risk by applying fixed per policy charges in addition to the charges determined based on clients' linked policy values, offering an element of diversification to its income stream.

Market risk from direct asset holdings

ILUK has limited exposure to primary market risk as:

- The Company only writes unit-linked insurance and has only unit-linked insurance business in force.
- Linked assets are invested as per the policyholders' instructions. ILUK maintains the right to limit policyholders' investment options.
- The Company fully matches the liabilities underlying the unit-linked products so there is

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

4 Risk and risk management (continued)

- no asset-liability mismatch risk.

The Company currently invests its shareholder assets in high quality, highly liquid, short-dated investments.

(a) Interest rate risk

ILUK's balance sheet and capital requirements are relatively insensitive to first order impacts from movements in interest rates. ILUK mitigates interest rate risk by investing its surplus capital in high quality, highly liquid, short-dated investments.

(b) Currency risk

The Company is not directly exposed to significant currency risk. The table below shows a breakdown of the material foreign currency exposures for the unit-linked policies:

Currency	2020 £'000	2020 %	2019 £'000	2019 %
GBP	16,361,150	99.3	15,035,851	99.4
USD	95,974	0.6	69,232	0.5
EUR	11,999	0.1	11,962	0.1
Others	7,031	0.0	6,086	0.0
Total	16,476,154	100.0	15,123,131	100.0

99.3% of investments and cash held for the benefit of policyholders in ILUK are denominated in GBP, its base currency. Remaining currency holdings greater than 0.1% of the total are shown separately in the table. A significant rise or fall in sterling exchange rates would not have a significant first order impact on its results since any adverse or favourable movement in policyholder assets is entirely offset by a corresponding movement in the linked liability. The Company itself does not have any material assets or liabilities held in a foreign currency.

(c) Inflation risk

The Company has exposure related to expense inflation risk, where actual inflation deviates from expectations. The Company has no exposures to defined benefit staff pension schemes or client related index linked liabilities.

Expense inflation risk is mitigated through regular stress testing, monitoring of expenditure and closely managing expenses in line with the business plan.

(d) Equity price risk

The Company only suffers a second order impact from equity price movements as future charges are predominantly determined based on clients' linked policy values. Clients hold the primary investment risk on these asset types as the assets and liabilities are fully matched and the Company does not offer any guarantees on policy values.

(2) Credit (counterparty default) risk

Credit risk is the risk that the company is exposed to a loss if another party fails to meet its financial obligations. For ILUK, the exposure to counterparty default risk arises primarily from:

- corporate assets directly held by ILUK;
- exposure to policyholders; and
- exposure to other receivables.

The other exposures to counterparty default risk include a credit default event which affects funds held on behalf of policyholders and occurs at one or more of the following entities:

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

4 Risk and risk management (continued)

- a bank where cash is held on behalf of policyholders;
- a custodian where the assets are held on behalf of policyholders; and
- Transact Nominees Limited which is the legal owner of the assets held on behalf of policyholders.

There is no first order impact on ILUK from one of the events in the preceding paragraph. This is because any credit default event in respect of these holdings will be borne by policyholders, both in terms of loss of value and loss of liquidity. The Company's policyholder terms and conditions have been reviewed to ensure that these have been drafted appropriately. However, there is a second order impact where future profits for ILUK are reduced in the event of a credit default event which affects funds held on behalf of policyholders.

There are robust controls in place to mitigate credit risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure. Additionally, maximum counterparty limits are set for banks and minimum credit quality steps are set for both banks and reinsurers.

Corporate assets and funds held on behalf of policyholders

There is no significant risk exposure to any one UK clearing bank.

Counterparty default risk exposure to policyholders

The Company is due £4,935k (2019: £4,685k) from fee income owed by policyholders. This includes £84k (2019: £101k) in relation to fees past due, but not impaired, £103k in relation to impaired fees (2019: £83k) and the remainder is current fees expected to be received.

Counterparty default risk exposure to Group companies

The Company is due £49k (2019: £27k) from other Group companies.

Counterparty default risk exposure to other receivables

The Company has prepayments due (mostly PRA/FCA fees) of £1,215k (2019: £1,086k).

The Company has no other receivables arising, due to the nature of its business, and the structure of the Group.

Impact of credit risk on fair value

Due to the limited direct exposure that the Company has to credit risk, credit risk does not have a material impact on the fair value movement of financial instruments for the year under review. The fair value movements on these instruments are predominantly due to changes in market conditions.

(3) Liquidity risk

Liquidity risk is the risk that funds are not accessible such that the Company, although solvent, does not have sufficient liquid financial resources to meet obligations as they fall due, or can secure such resources only at excessive cost.

The following key drivers of liquidity risk for the Company have been identified:

- liquidity risk arising on the Company's own accounts due to failure of one or more of its banks;
- liquidity risk arising on the Company's own accounts due to the bank's system failure which prevents access to funds; and
- liquidity risk arising from clients holding insufficient cash to settle fees when they become due.

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

4 Risk and risk management (continued)

ILUK's liquidity risk arises from a lack of readily realisable cash to meet debts as they become due. This takes two forms – policyholders' liabilities coming due and other non-policyholder liabilities coming due.

The first of these, policyholder liabilities, is in the main covered through the terms and conditions as policyholders take their own liquidity risk, if their funds cannot be immediately surrendered for cash.

Payment of mortality benefits and other non-policyholder liabilities depend on ILUK having sufficient liquidity at all times to meet them as they fall due. This requires access to liquid funds, i.e. working banks and it also requires that ILUK's main source of liquidity, charges on its policyholders' assets, can also be converted into cash.

Thus ILUK has two requirements: first, to ensure that policyholders maintain a percentage of liquidity in their funds at all times, and second, to maintain access to cash through a spread of cash holdings in bank accounts.

There are robust controls in place to mitigate liquidity risk, for example, holding corporate cash across a range of banks in order to mitigate the risk of a single point of counterparty default failure.

Maturity schedule

The following table shows an analysis of the financial assets and financial liabilities by remaining maturities as at 30 September 2020 and 30 September 2019.

Financial assets:

2020	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked investments*	15,149,586	43,542	-	-	15,193,128
Other investments	-	2,975	-	-	2,975
Cash	1,348,712	-	-	-	1,348,712
Other receivables and accrued income	7,103	-	-	-	7,103
Total	16,505,401	46,517	-	-	16,551,918

2019 (Restated)	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked investments*	13,970,375	43,542	-	-	14,013,917
Other investments	-	-	2,996	-	2,996
Cash	1,165,866	-	-	-	1,165,866
Other receivables and accrued income	9,114	-	-	-	9,114
Total	15,145,355	43,542	2,996	-	15,191,893

Financial liabilities:

2020	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked liabilities*	16,432,612	43,542	-	-	16,476,154
Other payables	2,337	-	-	-	2,337
Total	16,434,949	43,542	-	-	16,478,491

2019	Up to 3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Unit-linked liabilities*	15,079,589	43,542	-	-	15,123,131
Other payables	1,972	-	-	-	1,972
Total	15,081,561	43,542	-	-	15,125,103

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

4 Risk and risk management (continued)

* Financial assets held in unit-linked investments and the corresponding liabilities for linked investment contracts are deemed to have a maturity of up to three months since the liabilities are repayable on demand. In practice the contractual maturities of the underlying assets may be longer than one year, but the majority of assets held within the unit linked funds are highly liquid.

(4) Insurance risk

Insurance risk is the risk of loss arising from actual experience being different than that assumed when an insurance product was designed and priced. For ILUK, the key insurance risks are lapse risk, expense risk and mortality risk. However, the size of insurance risk is not deemed to be materially significant and as such from an accounting perspective all contracts have been classified as investment contracts.

(a) Lapse risk

Lapses occur when funds are withdrawn from the platform for any reason. Pension transfers and bond surrenders typically occur where policyholders' circumstances and requirements change. However, these types of lapses can also be triggered by operational failure, competitor actions or external events such as regulatory or economic changes.

Pension commencement lump sum payments, drawdown payments, lump sum withdrawals, 'transfers for the purchase of annuities' and bond regular withdrawals also result in funds being withdrawn from the platform but are of less concern as they are expected as part of the product's life-cycle.

Lapse risk is mitigated by focusing on providing exceptionally high levels of service. Lapse rates are closely monitored and unexpected experience is investigated. Despite the current challenging and uncertain economic and geopolitical environment, policy lapse rates remain stable and within historical norms.

(b) Expense risk

Expense risk arises where costs increase faster than expected or from one off expense shocks. As ILUK's expenses are primarily staff related the key inflationary risk arises from salary inflation. Expense shocks could arise from events such as system failures or Financial Services Compensation Scheme levies.

ILUK's expenses are governed at a high level by the IntegraFin Group's Expense Policy. The monthly management accounts are reviewed against projected future expenses by the Board and by senior management and action is taken where appropriate.

(c) Mortality risk

Mortality risk is the risk that the number of policyholder deaths is greater than expected in the period. For ILUK, deaths produce a strain when the benefit paid out on death is greater than the value of the policyholder's portfolio. This applies for all insurance bonds (where a death benefit of 0.1% of the portfolio value is payable).

For QSPs, the portfolio value of each policy is greater than the sum assured (which is fixed at the outset of the policy) and therefore there is no death strain as at the reporting date.

As at the reporting date ILUK was exposed to £1.1m of mortality risk which represents the Sum at Risk (i.e. total death benefits payable less value of policyholders' portfolios) for the insurance bonds and £nil for the QSPs.

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

4 Risk and risk management (continued)

(5) Solvency II and capital management

ILUK has adopted the Standard Formula approach in calculating the Solvency Capital Requirement (SCR), and has not adopted any of the Transitional Provisions in the calculation of the Solvency II balance sheet or SCR. As at 30 September 2020, ILUK has Own Funds of £239.3m and an SCR of £170.4m which gives a solvency coverage ratio of 140%. During the reporting period, ILUK has been fully compliant with the SCR. Additionally, the Solvency II balance sheet and SCR are regularly monitored and in line with standard regulatory requirements reported to the PRA on a quarterly basis.

The Company maintains a sound and appropriate system of capital management in order to meet its strategic capital objectives. The Company has a preference for a simple system of capital management which reflects the nature of the business. At a legal entity level, ILUK is capitalised at the required regulatory minimum under Solvency II plus an adequate buffer defined as part of the Company's capital management, risk appetite and dividend policies.

5 Fee income

	2020	2019
	£'000	£'000
From investment contracts		
Annual commission	39,583	35,878
Wrapper fees	6,254	5,748
Other income	1,287	1,520
	47,124	43,146

Fee income comprises an annual charge levied on the average value of the policy, a quarterly wrapper charge, and a charge for buying assets. Further information regarding the performance obligations for each of the Company's revenue streams is set out in section m of this Note 2.

6 Investment return

	2020	Restated
	£'000	2019
		£'000
Investment return		
Interest on fixed-interest securities	50	45
Unrealised losses on fixed-interest securities	(26)	(29)
Changes in fair value of underlying assets	(57,167)	494,141
Investment income	115,123	120,549
Total investment return	57,980	614,705

The above investment returns on fixed-interest securities arise on UK gilts. All investment returns reflect gains on financial assets that are designated as fair value through profit or loss.

Changes in fair value of underlying assets and investment income relate to investments held for the benefit of policyholders.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

7 Administrative expenses

	2020	2019
	£'000	£'000
Management fees paid to IntegraFin Services Ltd	17,156	16,393
Of which:		
Staff	10,654	10,486
Occupancy	612	1,110
Other	5,890	4,797
Royalty fees	960	954
Auditor's remuneration:		
Auditing of the Financial Statements of the Company pursuant to the legislation	95	77
Other assurance services	97	119
Directors' emoluments (note 8)	72	76
Other professional fees	178	35
Regulatory fees	1,919	1,821
Other expenses	718	656
	21,195	20,131

8 Remuneration of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity and as such, only Directors are considered to meet this definition. Directors' emoluments shown below are included in management fees payable to fellow subsidiary undertakings shown in note 27.

	2020	2019
	£'000	£'000
Aggregate Directors' emoluments		
Aggregate emoluments excluding pension contributions	72	76
Emoluments of the highest paid Director		
Aggregate emoluments excluding pension contributions	28	28

The above disclosure includes the remuneration of the Directors in relation to their services to this company. The remuneration for each Director is apportioned on the basis of time spent across the companies of which they are a Director.

9 Other income

	2020	Restated 2019
	£'000	£'000
Tax recovery from HMRC	284	449
Tax charges reserved from policyholders	5,728	16,700
Tax relief due to shareholders	1,070	953
	7,082	18,102

Tax recovery from HMRC is tax claimed on behalf of policyholders for tax deducted at source.

Tax charges reserved from policyholders are the charges taken from unit-linked funds being held to meet future and current policyholder tax liabilities. The large year on year variance is due to the policyholder tax charge being a credit in financial year 2020, therefore there is a reduction in the amount of policyholder tax reserve required to cover the policyholder expenses (note 10) and policyholder tax charge.

Tax relief on corporate expenses and the effect of a structural difference in the UK policyholder taxation rate of 20%, versus the corporation tax rate of 19%, has been released, this is the tax relief due to shareholders in financial year 2020 and restated for financial year 2019.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

10 Other expenses

	2020	2019
	£'000	£'000
Tax relief paid to policyholders	5,318	1,328
Tax reserve to meet future liabilities	3,759	8,706
	9,077	10,034

Tax relief paid to policyholders is the return to unit linked funds of tax deducted at source.

Tax reserve to meet future liabilities are provisions to meet future and current policyholder tax liabilities.

11 Dividends

	2020	2019
	£'000	£'000
Dividends paid		
Aggregate dividends – equivalent to £16 per share (2019: £14 per share)	16,000	14,000

100% of the share capital in the Company is held by Integrated Financial Arrangements Ltd, and as such the dividend has been paid to this entity in its entirety.

12 Taxation

	2020	Restated 2019
	£'000	£'000
Policyholder taxation		
UK policyholder tax at 20% (2019: 20%)	1,669	6,185
Deferred tax at 20% (2019: 20%)	(4,340)	633
Under accrual from prior year	(557)	6
Tax deducted on overseas dividends	162	145
Total policyholder taxation	(3,066)	6,969
Shareholder taxation		
UK corporation tax at 19% (2019: 19%)	4,781	4,423
Under/(Over) accrual from prior year	61	(38)
Total shareholder taxation	4,842	4,385
Total taxation	1,776	11,354

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2020	Restated 2019
	£'000	£'000
Pre-tax profit	23,757	30,994
Add: Policyholder tax credit/Less:(policyholder tax charge)	3,066	(6,969)
	26,823	24,025
Tax at corporation tax rate 19% (2019:19%)	5,096	4,565
Non-taxable dividends	(187)	(142)
Other adjustments	(128)	-
Under/(Over) accrual from prior year	61	(38)
Shareholder tax	4,842	4,385
Add policyholder tax	(3,066)	6,969
	1,776	11,354

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

13 Cash and cash equivalents

	2020	Restated
	£'000	2019
		£'000
Bank balances	1,348,712	1,165,866

£37.1m (2019: £29.9m) of the total is corporate cash, all of which is current and available.

£1,283.0m (2019: £1,109.2m) of the total balance is cash held for the benefit of policyholders.

£28.6m (2019: £26.8m) of the total balance is held in respect of provisions for policyholder tax that will become payable.

14 Other investments

	2020	2020	2019	2019
	Cost	Fair Value	Cost	Fair Value
	£'000	£'000	£'000	£'000
At fair value through the income statement				
Other fixed-income securities	3,000	2,975	3,000	2,996
	3,000	2,975	3,000	2,996

Other fixed-income securities are UK government stocks held by the Company with an Aa2 (Moody's) rating (2019: Aa2).

£3,000k (2019: none) of the fixed-income securities are due to mature within 12 months.

15 Other prepayments and accrued income

	2020	2019
	£'000	£'000
Accrued income	4,827	4,602
Prepayments	1,215	1,085
	6,042	5,687

16 Other receivables

	2020	Restated
	£'000	2019
		£'000
Due from group undertakings (see note 27)	49	28
Interest receivable	-	3
Amounts due from Policyholders	-	3,097
Amount due from HMRC	2,227	1,384
	2,276	4,512

Amount due from HMRC is in respect of tax claimed on behalf of policyholders for tax deducted at source.

Amounts due from Policyholders relates to tax recoverable from policyholders which is due to HMRC.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

17 Investments held for the benefit of policyholders

	2020	2020	2019	Restated
	Cost	Fair Value	Cost	Fair Value
	£'000	£'000	£'000	£'000
Investments and securities	604,138	628,509	498,788	551,474
Bonds and other fixed-income securities	14,329	14,310	15,639	16,810
Holdings in collective investment schemes	12,863,827	14,550,309	11,479,726	13,445,633
	13,482,294	15,193,128	11,974,153	14,013,917

These assets are held to cover the liabilities for linked investment contracts as shown in note 23. All amounts are current. Investments held for the benefit of policyholders are matched entirely by liabilities held for unit linked contracts.

18 Deferred acquisition costs

	2020	2019
	£'000	£'000
Opening balance	48,789	44,372
Capitalisation of deferred acquisition costs	10,235	11,368
Amortisation of deferred acquisition costs	(7,247)	(6,951)
Change in deferred acquisition costs	2,988	4,417
Closing balance	51,777	48,789
Current (less than 12 months)	7,012	6,822
Non-current (greater than 12 months)	44,765	41,967
	51,777	48,789

19 Share capital

	2020	2019
	£'000	£'000
Allotted, called up and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

The Company has one class of ordinary shares which carries no right to fixed income.

20 Share premium

	2020	2019
	£'000	£'000
Balance brought forward	700	700
Balance carried forward	700	700

21 Other payables

	2020	2019
	£'000	£'000
Due to group undertakings (see note 27)	1,325	1,492
Other payables	1,012	481
	2,337	1,973

All amounts are current, interest free and short term. Amounts due to group companies are unsecured and are settled monthly.

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

22 Tax provisions

	2020	Restated 2019
	£'000	£'000
Tax relief due to policyholders	7,207	4,868
Other tax reserves	17,496	9,874
Tax reserves due to HMRC	-	3,037
	24,703	17,779

Tax relief due to policyholders comprises claims received, and receivable, from HMRC that are yet to be returned to policyholders.

Other tax reserves are charges taken from unit-linked funds that will either become payable to HMRC or, if no tax liability arises, refunded to policyholders.

23 Liabilities for unit-linked investment contracts

	2020	2019
	£'000	£'000
At fair value through profit or loss		
Unit-linked liabilities	16,476,154	15,123,131

Analysis of change in liabilities for linked investment contracts

	2020	2019
	£'000	£'000
Opening balance	15,123,131	13,081,579
Investment inflows	2,231,326	2,361,203
Investment outflows	(761,696)	(776,319)
Changes in fair value of underlying assets	(57,167)	494,141
Investment income	115,123	120,549
Other fees and charges Transact	(46,129)	(40,914)
Other fees and charges third parties	(128,434)	(117,108)
Closing balance	16,476,154	15,123,131

The benefits offered under the unit-linked investment contracts are based on the risk appetite of policyholders and the return on their selected collective fund investments, whose underlying investments include equities, debt securities, property and derivatives. This investment mix is unique to individual policyholders. When the diversified portfolio of all policyholder investments is considered, there is a clear correlation with the FTSE 100 index and other major world indices, providing a meaningful comparison with the return on the investments.

The maturity value of these financial liabilities is determined by the fair value of the linked assets at maturity date. There will be no difference between the carrying amount and the maturity amount at maturity date.

24 Deferred tax liabilities

The following are the deferred tax balances recognised by the company and the movements thereon, during the current and prior reporting period.

	Deferred income & costs	Unrealised gain on investments	Total
	£'000	£'000	£'000
Policyholder deferred tax			
Liability/(asset) at 1 Oct 2019	(680)	13,867	13,187
Movement in the year	(15)	(4,325)	(4,340)
Liability/(asset) at 30 Sept 2020	(695)	9,542	8,847

The value of deferred tax assets not recognised as at 30 September 2020 was £nil (2019: £nil).

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

25 Deferred income liabilities

	2020	2019
	£'000	£'000
Opening balance	48,789	44,372
Capitalisation of deferred fee income	10,235	11,368
Amortisation of deferred fee income	(7,247)	(6,951)
Change in deferred fee income	2,988	4,417
Closing balance	51,777	48,789
Current (less than 12 months)	7,012	6,822
Non-current (greater than 12 months)	44,765	41,967
	51,777	48,789

26 Financial instruments

All financial instruments have been categorised as fair value through profit or loss, except for cash and cash equivalents, accrued income, other receivables and trade and other payables, which have been categorised as amortised cost.

Fair value hierarchy

The following table shows the Company's assets measured at fair value and split into the three levels described below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

At 30 September 2020	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Policyholder Assets				
Policyholder cash	1,283,026	-	-	1,283,026
Non-linked policyholder cash	28,603			28,603
Investments and securities	474,430	153,328	751	628,509
Bonds and other fixed-income securities	12,404	1,891	15	14,310
Holdings in collective investment schemes	14,444,487	104,912	910	14,550,309
	16,242,950	260,131	1,676	16,504,757
Shareholder Assets				
Shareholder cash	37,083	-	-	37,083
Other investments	2,975	-	-	2,975
	40,058	-	-	40,058
Total	16,283,008	260,131	1,676	16,544,815

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

26 Financial instruments (continued)

At 30 September 2019	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Policyholder Assets				
Policyholder cash	1,109,214	-	-	1,109,214
Non-linked policyholder cash	26,754			26,754
Investments and securities	412,220	139,664	2,352	554,235
Bonds and other fixed-income securities	4,485	9,320	3,005	16,810
Holdings in collective investment schemes	13,343,919	93,467	5,486	13,442,872
	14,896,592	242,451	10,843	15,149,885
Shareholder Assets				
Shareholder cash	29,899	-	-	29,899
Other investments	2,996	-	-	2,996
	32,895	-	-	32,895
Total	14,929,487	242,451	10,843	15,182,780

Level 1 valuation methodology

Financial assets included in Level 1 are measured at fair value using quoted mid prices that are available at the reporting date and are traded in active markets. These financial assets are mainly collective investment schemes and listed equity instruments.

Level 2 and Level 3 valuation methodology

The Company regularly reviews whether a market is active, based on available market data and the specific circumstances of each market. Where the Company assesses that a market is not active, then it applies one or more valuation methodologies to the specific financial asset. These valuation methodologies use quoted market prices where available, and may in certain circumstances require the Company to exercise judgement to determine fair value.

Financial assets included in Level 2 are measured at fair value using observable inputs for comparable instruments. Assets in this category are traded in markets that have been assessed as not active enough to be included in Level 1.

Otherwise, financial assets are included in Level 3. These are assets where one or more inputs to the valuation methodology are not based on observable market data. The key unobservable input is the pre-tax operating margin needed to price asset holdings. This means that fair values of the assets may be based on estimates and assumptions that cannot be corroborated with observable market data.

Level 3 assets are valued using the same methodology as set out in note 2(r), using the last known price that the Company has been able to source.

As part of its pricing process, the Company regularly reviews whether each asset can be valued using a quoted price and if it trades on an active market, based on available market data and the specific circumstances of each market and asset.

Level 3 sensitivity to changes in unobservable measurements

For financial assets assessed as Level 3, based on its review of the prices used, the Company believes that any change to the unobservable inputs used to measure fair value would not

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020
26 Financial instruments (continued)

result in a significantly higher or lower fair value measurement at year end, and therefore would not have a material impact on its reported results.

Changes to valuation methodology

There have been no changes in valuation methodology during the year.

Transfers between Levels

The Company's policy is to assess each financial asset it holds at the current financial year-end, based on the last known price and market information, and assign it to a Level.

The Company recognises transfers between Levels of the fair value hierarchy at the end of the reporting period in which the changes have occurred. Changes occur due to the availability of (or lack thereof) quoted prices, whether a market is now active or not, and whether there are indications of impairment.

Transfers between Levels 1 and 2 between 30 September 2019 and 30 September 2020 are presented in the table below at their valuation at 30 September 2020:

Transfers from	Transfers to	£'000
Level 1	Level 2	3,493
Level 2	Level 1	7,834

The reconciliation between opening and closing balances of Level 3 assets are presented in the table below:

	Total	Investments and securities	Bonds and other fixed-income securities	Holdings in collective investment schemes
	£'000	£'000	£'000	£'000
Opening balance	10,843	2,352	3,005	5,486
Unrealised gains or losses	54	24	-	30
Transfers in to Level 3	224	74	-	150
Transfers out of Level 3	(7,816)	(1,405)	(2,118)	(4,293)
Purchases, sales, issues and settlement	(1,629)	(294)	(872)	(462)
Closing balance	1,676	751	15	910

Any resultant gains or losses on financial assets held for the benefit of policyholders are offset by a reciprocal movement in the linked liability.

27 Related party transactions

During the year the Company entered into the following transactions with related parties (excluding dividends paid) within the Group, and at the year end the Company had the following intra-Group receivables:

Company	Rendering/(receipt) of services		Amounts owed by/(to) related parties	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
IntegraFin Holdings plc (ultimate parent company)	(47)	(47)	(4)	(4)
Integrated Financial Arrangements Ltd (parent company)	(484)	(1,154)	(23)	(76)
IntegraFin Services Limited	(17,156)	(16,391)	(1,170)	(1,385)
IntegraLife International Limited	-	-	1	1
Transact IP Limited	(720)	-	(80)	-
Total	(18,407)	(17,592)	(1,276)	(1,464)

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

27 Related party transactions (continued)

The Company has not made any allowance for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2020 or 2019 regarding related party transactions.

All of the above transactions are commercial, arm's length transactions undertaken in the normal course of business.

ILUK has an intercompany agreement in place with IntegraFin Services Limited (ISL). The primary activity of ISL is the provision of staff and services to the rest of the Group. ISL is a wholly-owned subsidiary of IntegraFin Holdings plc (IHP).

ISL charged the company £17,156k (2019: £16,391k) for expenses associated with the services provided.

The Company's immediate parent is IFAL, a company registered in England & Wales.

The Company's financial statements are consolidated within the financial statements of IHP, the ultimate parent company and controlling party, registered in England & Wales. The financial statements are available from the Company Secretary.

The Company writes business through the Transact Personal Pension, Executive Pension, Section 32 Buy Out Bond, Onshore Bond and Qualifying Savings Plan. ILUK is a wholly owned subsidiary of IFAL.

ILUK Limited has an intercompany agreement in place with IFAL, whereby IFAL recharges all expenses incurred in acting as agent, custodian, and administrator for ILUK.

IFAL charged the company £484k (2019: £1,154k) for expenses associated with the services provided.

28 Events after the reporting period

There are no events subsequent to the year-end that require disclosure in, or amendment to the financial statements.

29 Contingent liabilities

In January 2020 the Group received notice from HMRC that the inclusion of Integrated Application Development Pty Ltd (IAD) in the UK VAT group was terminated with effect from 16 July 2016. The Group included IAD in the UK VAT group having taken specialist advice to ensure its actions were in accordance with the relevant laws. The consequence of the exclusion of IAD from the UK VAT group is that the services provided from Australia would now be subject to reverse-charge VAT.

The Group has challenged this notification and opened a discussion with HMRC about its intention to exclude IAD from the UK VAT group, therefore the financial implications of this notice, including the timing of any potential payment, remain uncertain, pending the outcome of the reconsideration of the exclusion.

HMRC's notice states that the VAT due since July 2016 until October 2019 will be approximately £4.3m and that going forward there would be an additional annual VAT charge of approximately £1.4m. The Group does not yet know whether HMRC will charge interest and/or a penalty if the appeal to the notification is unsuccessful.

Due to the ongoing uncertainty around the additional VAT charges, pending the outcome of the dialogue with HMRC, the Directors do not believe it would be appropriate to recognise a provision in these financial statements. Payment of the additional VAT charges is considered to be less than probable and this is supported by both the original VAT advice received from

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

29 Contingent liabilities (continued)

specialists when the VAT group was created, and subsequent specialist advice following HMRC's challenge in January 2020.

30 Restatement of prior years

Profit after tax for financial year 2019 has been restated to £19.6 million, an increase from £18.7 million, and an adjustment to 2019 opening retained earnings has been made of £5.4m. The restatement of profit after tax across prior years is attributable to changes in the treatment of tax reserves. Tax relief on corporate expenses and the effect of a structural difference in the UK policyholder taxation regime relating to the shareholder profits taxable at the corporation tax rate of 19%, accumulated over several years, has been released.

The change in the treatment in the tax reserves has been reflected by restating each of the affected financial statement line items for the periods as follows:

a) Statement of Profit or Loss and Other Comprehensive Income (extract)

	2019	Increase to	2019
	£'000	profit	(restated)
		£'000	£'000
Other income	17,149	953	18,102
Other income and expenses	7,115	953	8,068
Profit before policyholder and shareholder tax	30,041	953	30,994
Policyholder taxation	(7,115)	146	(6,969)
Profit before shareholder taxation	22,926	1,099	24,025
Shareholder taxation	(4,246)	(139)	(4,385)
Profit after policyholder and shareholder tax	18,680	960	19,640

b) Statement of Financial Position (extract)

	2019	Increase/	2019
	£'000	(decrease)	(restated)
		£'000	£'000
Other receivables	3,834	678	4,512
Total assets	15,241,089	678	15,241,767
Tax provisions	24,112	(6,333)	17,779
Current tax liability	1,153	644	1,797
Total liabilities	15,212,345	(5,689)	15,206,655
Net assets	28,744	6,367	35,111
Retained earnings	27,008	6,367	33,375
Total equity attributable to equity holders	28,744	6,367	35,111

Integralife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

30 Restatement of prior years (continued)

c) Statement of Financial Position (extract)

	1 October 2018	Increase/ (decrease)	1 October 2018 (restated)
	£'000	£'000	£'000
Other receivables	2,503	533	3,036
Total assets	13,184,034	533	13,184,567
Tax provisions	18,527	(5,381)	13,146
Current tax liability	894	507	1,401
Total liabilities	13,159,970	(4,874)	13,155,096
Net assets	24,064	5,407	29,471
Retained earnings	22,328	5,407	27,735
Total equity attributable to equity holders	24,064	5,407	29,471

31 Restatement of presentation

Certain comparatives have been reclassified in accordance with the presentation adopted in these financial statements.

This reclassification had no effect on net assets or profit or loss and was made in order to provide greater detail within the Statement of Financial Position and to present movements on policyholder assets within the Statement of Profit or Loss and Other Comprehensive Income in a manner consistent with the Statement of Financial Position. Corresponding changes have been made to the Statement of Cash Flows.

Details of these changes are shown below.

a) Statement of Profit or Loss and Other Comprehensive Income (extract)

	2019	Increase to profit	2019
	£'000	£'000	(restated) £'000
Investment return	15	614,690	614,705
Change in investment contract liabilities	-	(497,582)	(497,582)
Total revenue	50,211	117,108	167,319
Gross profit	50,011	117,108	167,119
Fee and commission expenses	-	(117,108)	(117,108)
Total expenses	(27,085)	(117,108)	(144,193)

b) Statement of Financial Position (extract)

	2019	Increase/ (decrease)	2019
	£'000	£'000	(restated) £'000
Cash and cash equivalents	56,652	1,109,214	1,165,866
Investments held for the benefit of policyholders	15,123,131	(1,109,214)	14,013,917

IntegraLife UK Limited
Notes to the Financial Statements (continued)
For the year ended 30 September 2020

31 Restatement of presentation (continued)

c) Statement of Financial Position (extract)

	1 October 2018	Increase/ (decrease)	1 October 2018 (restated)
	£'000	£'000	£'000
Cash and cash equivalents	47,480	1,029,957	1,077,437
Investments held for the benefit of policyholders	13,081,579	(1,029,957)	12,051,622

d) Statement of Cash Flows (extract)

	2019	Increase/ (decrease)	2019 (restated)
	£'000	£'000	£'000
Profit before taxation	30,041	953	30,994
Movement in retained earnings	-	(953)	(953)
Cash flows from operating assets and liabilities			
(Increase) in investments held for the benefit of policyholders	-	(1,962,295)	(1,962,295)
(Increase)/decrease in investment income	-	16,766	16,766
Increase in liabilities for linked investment contracts	-	2,024,786	2,024,786
	-	79,257	79,257
Increase in cash	9,172	79,257	88,429
Cash and cash equivalents at the beginning of the year	47,480	1,029,957	1,077,437
Cash and cash equivalents at the end of the year	56,652	1,109,214	1,165,866