

FIL Life Insurance Limited

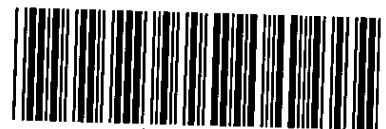
Company registration number: 03406905

Report and Financial Statements

for the six month period ended

31 December 2020

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FIL Life Insurance Limited

Annual report and financial statements for the period ended 31 December 2020

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FIL Life Insurance Limited

Directors, Officers and Principal advisors
for the period ended 31 December 2020

Directors, officers and principal advisers

Directors

D C Huntley
M Jaekel
A S Lanser
S Maher
W Mayall
J Webb

Chief Executive

J Webb

Company Secretary

FIL Investment Management Limited
25 Cannon Street
London
EC4M 5TA

Actuaries

Milliman LLP
11 Old Jewry
London
EC2R 8DU

Solicitors

Slaughter and May
One Bunhill Row
London
EC1Y 8YY

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Principal bankers

Barclays Bank plc
PO Box 46116
London
EC4N 8WB

Registered Office

Beech Gate
Millfield Lane
Lower Kingswood
Tadworth
Surrey, KT20 6RP

FIL Life Insurance Limited

Strategic report for the period ended 31 December 2020

The directors present their Strategic report for the six months ended 31 December 2020.

Principal activities

The principal activity of FIL Life Insurance Limited ("the Company" or "FIL Life") is to provide insured pension products linked to funds managed by the FIL Limited group of companies ("FIL Group" and selected fund partners).

The company is authorised in the UK by the Prudential Regulation Authority ("PRA") and regulated in the UK by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority.

Business review

During the year, the Company added a further 13 new clients (year to 30 June 2020: 12 new clients) bringing total assets held to cover linked liabilities to £36,754,794,000 (30 June 2020: £32,204,875,000) including reinsurance assets. The Company added 7 new funds and 127 client-specific funds (year to 30 June 2020: 5 new funds and 172 client-specific funds). 4 clients were lost during the year (year to 30 June 2020: 11).

The Company offers a broad range of life funds that invest in funds managed both by Fidelity and third party fund managers. Where the funds are invested via a reinsurance contract with another life insurer, the assets are separately disclosed.

Key performance indicators ("KPIs")

The Board monitors the progress of the Company using a number of metrics. These include the following KPIs:

	6 months to December 2020	12 months to June 2020
	£000	£000
Assets held to cover linked liabilities	21,906,646	19,210,354
Assets held to cover linked liabilities – reinsured funds	14,848,148	12,994,521
Total assets held to cover linked liabilities	36,754,794	32,204,875

Principal Risks and Uncertainties

Details of the principal risks and uncertainties to which the Company is exposed are set out in note 24.

Future Developments

The Company expects to operate in existing markets and products during the coming year. Brexit has not significantly impacted the Company as all business is written in the UK.

Short term the Company is not expected to be significantly affect by Covid-19 as technology solution enable remote working. The long-term impact on our clients in more uncertain and largely depends on how long before the economy returns to a more normal situation.

Statement on Section 172(1) of the Companies Act

Section 172 of the Companies Act 2006 ("s172") places a duty on directors to promote the success of the company for the benefit of shareholders as a whole, having regard to a number of broader matters including the likely consequence of decisions for the long term, the need to act fairly between members of the company, and the Company's wider relationships.

FIL Life Insurance Limited

Strategic report for the period ended 31 December 2020

Statement on Section 172(1) of the Companies Act (*continued*)

The directors have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the company's sole shareholder ("FIL Limited"). In doing so, they have had regard to a range of matters, including the impact of decisions in the long term, the interests of key stakeholders including employees, suppliers, customers, the community and the environment, and the reputation of the company for high standards of business conduct.

The FIL Group's purpose and goals are set out in its Corporate Governance Statement contained in the Directors' Report within the FIL Limited Group's financial statements. As part of the FIL Group, the company shares the FIL Group's purpose and goals. The board makes decisions with regard to the long-term interests of its sole shareholder with due regard to the impact of decisions on all relevant stakeholders. In working towards the Company's goals, the board have had due regard for the key stakeholders of the company and the FIL Group, as set out as follows.

Customers

The company's purpose, working together to build better financial futures, stresses the importance of collaboration to its business, working together both as colleagues and in partnership with its clients. It also underlines our focus on sustainable, long-term outcomes, together with an aspirational focus on the future. The business aims to provide the best investment services and products to suit customer needs and desired outcomes. The Company aims to give people the power to get and stay in great financial health as they move towards their retirement. The FIL Group's core values of Integrity and Trust are implemented throughout its engagement with customers.

Suppliers

Key considerations around suppliers are discussed in the Engagement with Key Stakeholders section of the Directors' Report on pages 6-7.

Communities and environment

More detail on engagement with Customers and the Environment is included within the Engagement with Key Stakeholders section of the Directors' Report on pages 6-7.

Having reviewed the likely financial impact of climate change on the Company, and considering the type of business it writes, the Directors consider the Company is not exposed to insurance risk or financial risks relating directly to climate change. The Directors will continue to carefully monitor and plan to mitigate the risks of climate change to the business operations.

Reputation and high standards of business conduct

The reputation of the FIL Group is vital to the confidence of customers and is a significant focus for the Board. As set out in the Corporate Governance Statement contained in the Directors' Report within the FIL Limited's financial statements, the FIL Group seeks to operate to the highest standards of conduct. All staff employed by the FIL Group are subject to the Fidelity International Code of Conduct and Ethics, which emphasises the FIL Group's commitment to keeping its reputation untarnished and provides a framework for employees to manage their personal affairs in a way consistent with that reputation, and this is further supported by the Whistleblowing Policy, which is covered in further detail within the Corporate Governance Statement within the FIL Group's financial statements. The company performs regulated activities and maintains an open and proactive relationship with the Prudential Regulation Authority (the "PRA").

Response to COVID-19

The emergence of the coronavirus (COVID-19) disease has caused significant volatility and uncertainty within the global economy and financial markets. The company has responded to the COVID-19 crisis with consideration given to the impact on each of its key stakeholder groups and the directors have been kept informed of key developments and management actions; taking key decisions as necessary.

FIL Life Insurance Limited

Strategic report for the period ended 31 December 2020

Response to COVID-19 (continued)

The FIL Group has actively supported employees in a range of ways throughout the pandemic, with the vast majority of staff working from home - which was successfully implemented ahead of the 'lockdown' imposed by the UK Government. The FIL Group swiftly implemented new collaborative tools in a risk aware way, and introduced wellbeing webinars and provided regular advice to support its staff

The company has maintained its ability to service customers and swiftly changed to a working from home model with no disruption. Customer contact has been maintained through digital channels, with call centres remaining open, enabling the business to continue working to high service levels.

Throughout the pandemic, the company continues to have an open and honest relationship with the regulator including regular dialogue. The company continues to maintain adequate capital and liquidity to support the business in meeting its obligations and upholds the highest standards of business conduct. The company did not participate in any emergency government support schemes relating to COVID-19. The Board has monitored the risk profile of the business during this period and the ongoing effectiveness of its control environment.


Exit from the European Union ("EU")

The transition period for the UK leaving the European Union ("EU") ended 31 December 2020 and the UK is no longer a part of the EU's single market and customs union.

The FIL Group had implemented necessary changes to operational processes and legal structures prior to the original exit date of 29 March 2019. The Company's focus remains on serving its customers in the best possible way and therefore has continuously monitored and evaluated the impact of the UK exit from the EU, factoring this into planning accordingly.

Approval

This Strategic Report was approved on behalf of the Board on 1 April 2021.



J Webb
Chief Executive Director

1 April 2021

FIL Life Insurance Limited

Directors' report for the year ended 30 June 2020

The directors present their report together with the audited financial statements for the six months ended 31 December 2020.

Details of the business review and future developments are included within the Strategic report on page 3.

Directors

The directors of the company who were in office throughout the year, and up to the date of signing the financial statements are listed on page 2.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Results, dividends and transfer to reserves

The profit for the six months amounted to **£1,256,000** (year to June 2020 £2,856,000). This amount has been retained in shareholders' funds. Total shareholders' funds were **£59,388,000** (year to June 2020: £58,132,000).

No dividends were declared or proposed during the year (year to June 2020: Nil).

Change of accounting period

The board approved a change to the accounting reference date of the company from 30 June to 31 December. These financial statements therefore reflect a six-month accounting period from 1 July 2020 to 31 December 2020. The comparative amounts presented in these financial statements (including the related notes) cover are not entirely comparable as they cover a 12 month period to 30 June 2020.

Actuary

Mr O Gillespie of Milliman LLP continued to perform the role of the Company's Actuary for the whole period.

Financial Instruments

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in note 17.

Engagement with Key Stakeholders

Suppliers

The company recognises suppliers as critical to its ongoing success and depends upon them to fulfil a broad range of services including but not limited to fund administration, accounting, custody, market data, and technology. The company seeks to partner with third parties who operate in accordance with the company's own business values, which are reflected in the Supplier Code of Conduct.

The company engages with its key suppliers regularly, to undertake due diligence, risk assessment, and ongoing oversight, in order to ensure that they meet the high standards and behaviours the company and its clients expect. Additionally, the company works with key suppliers in order to build ongoing partnerships and collaborate towards short-and long-term goals.

FIL Life Insurance Limited

Directors' report for the year ended 30 June 2020

Suppliers (continued)

The company is committed to the fair treatment of suppliers and ensures prompt payment for all third parties that it works with.

Customers

The company's purpose, working together to build better financial futures, is based on the premise it believes it fulfils a vital role in society. The work that FIL Life does, together with the FIL Group, and the services it offers to its clients, across all its business areas has one focus in mind - to help those clients have a better future because their financial situation allows them to. It also underlines the focus on sustainable, long-term outcomes, together with an aspirational focus on the future. The company operates within the FIL business line *Workplace and Personal Financial Health* ("WPFH"). WPFH aims to give people the power to get and stay in great financial health throughout every stage of their lives. The company's core values of Integrity and Trust are implemented throughout its engagement with customers. The company interacts with clients in a number of ways and actively listens to clients' needs by seeking feedback, for example through client surveys, which informs continuous improvements to client experience.

Communities and environment

The FIL Group has a pro-active approach to Corporate Social Responsibility and seeks to build better futures by supporting a number of charitable causes to improve the lives of others and support the environment in which we operate, which is adopted by the company within the FIL Group. The FIL Group partners with local charities to help to build better futures for the community in which it operates. It also aims to conduct current and future business operations in a sustainable manner which helps create a better future for the environment, with key focus areas of Pollution, Prevention, Carbon Reduction, Waste minimisation and responsible use of resources.

Streamlined Energy and Carbon reporting ("SECR")

FIL Life has no employees and no carbon emissions. The SECR related disclosures for the UK group, to which most operations are outsourced can be found in the consolidated financial statements of FIL Holdings (UK) Limited ("FHL").

Statement of disclosure of information to auditors

So far as the directors are aware there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The directors appointed PricewaterhouseCoopers LLP as auditors to the company.

There is no requirement under the Companies Act 2006 or the Company's Articles of Association to hold an Annual General Meeting or lay the Company's Report and Financial Statements before the shareholders. The Company has also elected to dispense the need to appoint auditors annually.

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

FIL Life Insurance Limited

Directors' report for the year ended 30 June 2020

Independent auditors (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and applicable law).

Statement of Directors' Responsibilities

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

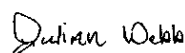
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 use in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approval

This directors' report was approved on behalf of the Board on 1 April 2021.



J Webb
Chief Executive Director

1 April 2021

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, FIL Life Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the 6 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Period End Report (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the profit and loss account, the statement of changes in equity and the statement of cash flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the group in the period under audit.

Our audit approach

Overview

Audit scope

- The company is a wholly-owned life insurance entity within the FIL Limited group and therefore we did not apply any group scoping.
- We audited all of the material financial statement line items to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

Key audit matters

- The risk of fraud in revenue recognition
- Consideration of impact of COVID-19

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

Materiality

- Overall materiality: £593,880 based on 1% of Net Assets.
- Performance materiality: £445,410.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase the revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements.. *Audit procedures performed by the engagement team included:*

- Discussions with the Board, internal audit and senior management involved in Risk and Compliance functions and the company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee, and Board of Directors;
- Identifying and testing journal entries based on risk criteria; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>The risk of fraud in revenue recognition</i></p> <p>The calculation of revenue is not determined to be a complex area however there is a presumption that management always has the opportunity to manipulate revenue through top up manual journals.</p>	<p>We have performed the following procedures with regards to the risk of fraud in revenue recognition:</p> <ul style="list-style-type: none"> • Tested a sample of journal entries focussed on particular revenue journals made by management outside the normal course of business; <p>In addition, we have performed the following procedures over revenue;</p> <ul style="list-style-type: none"> • Obtained an understanding of the control activities related to revenue; • Assessed the revenue recognition accounting policy for compliance with accounting standards; • On a sample basis re-performed the calculation of asset management fees; • Agreed a sample of inputs to the calculation related to asset management rates to supporting documentation. • Agreed a sample of inputs related to net asset values (NAVs) to source; • Obtained evidence over the operation of controls related to the calculation of NAVs; and • Agreed a sample of asset management and policy administration fees to supporting evidence, including invoices and cash receipts. <p>We found no material exceptions in our testing.</p>

Consideration of Impact of COVID-19

As disclosed on page 3 - 5 in the Strategic report, the impacts of the global pandemic due to COVID-19 continue to cause significant social and economic disruption up to the date of reporting. In our audit we have identified the key potential impact of COVID-19, being Going Concern. The Directors have concluded that the Company is, and will continue to be, solvent and will continue to meet its capital requirements through this pandemic and as such that the adoption of the going concern basis continues to be appropriate.

We have reviewed and assessed the reasonableness of the going concern assessment prepared by Management in the wake of the COVID-19 pandemic including evaluating management's stress and scenario testing as well as challenging management's key assumptions; and

We have reviewed the appropriateness of disclosure within the Annual Report and Financial Statements with respect to COVID-19.

Based on the work performed and the evidence obtained, we consider the disclosure of the potential impact of COVID-19 in financial statements to be appropriate.

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We have performed a full scope audit, taking into account our determination of materiality and of the risks of material misstatement in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall company materiality	£593,880.
How we determined it.	1% of net assets
Rationale for benchmarked applied	The company's primary focus is on its regulatory capital and satisfying its capital requirements. As such we deem that net assets ("Total Shareholder's funds") is the most appropriate benchmark in determining materiality. The company issues unit-linked pension policies. As a result, technical provisions - investment contract liabilities are covered by assets held to cover linked liabilities and return on investment contracts derived on the assets is offset by the change in policyholder liabilities under investment contracts. In accordance with the guidance on the audit of insurers issued in the United Kingdom by the Financial Reporting Council we have applied a higher materiality for these balances for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities. This materiality is based on 1% of assets held to cover linked liabilities.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £445,410 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 5% as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of Covid-19;
- Obtaining and evaluating the Directors' Going Concern assessment, based on the Company's projected Solvency coverage and liquidity position driven from the Company's Own Risk and Solvency Assessment, and challenging the basis and any material assumptions using our knowledge of the Company's business;
- Considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern; and

Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

FIL Life Insurance Limited

Independent auditors' report to the members of FIL Life Insurance Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 17 December 1998 to audit the financial statements for the year ended 31 December 1998 and subsequent financial periods. The period of total uninterrupted engagement is 23 years, covering the years ended 31 December 1998 to 31 December 2020.



Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 April 2021

FIL Life Insurance Limited

Profit and loss account for the period ended 31 December 2020

Technical account – Long-term business

	Note	6 months to December 2020 £000	12 months to June 2020 £000
Return on investment contracts		3,611,226	87,581
Other technical income, net of reinsurance	7	29,578	60,443*
Claims incurred, net of reinsurance			
Claims paid	8		
- Gross amount		258	505
- Reinsurer's share		(258)	(505)
		-	-
Change in other technical provision, net of reinsurance			
- Gross amount		(362)	1,403**
- Reinsurer's share		394	(1,439)**
		32	(36)
Change in policyholder liability under investment contracts		(3,611,226)	(87,581)
Net operating expenses	9	(28,150)	(57,813)*
Taxation attributable to long term business		(277)	(81)
Balance on the long-term business technical account		1,183	2,513

Non-technical account

	Note	6 months to December 2020 £000	12 months to June 2020 £000
Balance on long-term business technical account		1,183	2,513
Tax credit attributable to balance on long-term business technical account		277	81
Shareholders' pre-tax profit from long term business		1,460	2,594
Investment income	10	90	544
Profit on ordinary activities before tax		1,550	3,138
Tax on profit on ordinary activities	11	(294)	(282)
Profit for the financial period		1,256	2,856
Total comprehensive income for the period		1,256	2,856

All the amounts above are derived from continuing activities. The notes on pages 19 to 38 form an integral part of these financial statements. All recognised gains and losses are dealt with in the profit and loss account.

* Prior year values restated, see note 2(d)

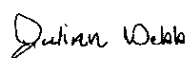
** Prior year values restated, see notes 14 & 19

FIL Life Insurance Limited

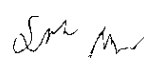
Balance sheet as at 31 December 2020

<u>Assets</u>	Note	6 months to December 2020 £000	12 months to June 2020 £000
Investments			
Other financial investments	12	1,207	1,073
Assets held to cover linked liabilities	13	36,754,794	32,204,875
Reinsurer's share of technical provisions			
Long-term business provisions	14	13,320	13,940
Trade and other receivables			
Debtors: amounts due within one year	15	2,441	2,893
Other assets			
Cash at bank and in hand	16	123,049	145,123
Prepayments and accrued income			
Other prepayments and accrued income		820	907
Total assets		36,895,631	32,368,811
<u>Liabilities</u>			
Capital and reserves			
Called up share capital	18	12,000	12,000
Capital contribution		22,000	22,000
Profit and loss account		25,388	24,132
Total shareholder's fund		59,388	58,132
Technical provisions			
Long-term business provision	19	13,709	14,361
Investment contract liabilities	20	36,754,794	32,204,875
Provisions for other risks and charges			
Provision for taxation	21	38	95
Creditors			
Other creditors including taxation	22	44,468	68,664
Claims outstanding		23,234	22,684
		67,702	91,348
Total liabilities		36,836,243	32,310,679
Total equity and liabilities		36,895,631	32,368,811

The notes on pages 19 to 38 form an integral part of these financial statements. The financial statements were approved by the Board of Directors on 1 April 2021. They were signed on their behalf by:



J Webb
Chief Executive Director



S Maher
Director

Company registration number: 03406905

FIL Life Insurance Limited

Statement of changes in equity for the period ended 31 December 2020

	Called up share capital £000	Capital contribution £000	Retained earnings £000	Total equity £000
At 1 July 2019	12,000	22,000	21,276	55,276
Total comprehensive income for the year	-	-	2,856	2,856
At 30 June 2020	12,000	22,000	24,132	58,132
Capital contribution	-	-	-	-
Total comprehensive income for the period	-	-	1,256	1,256
At 31 December 2020	12,000	22,000	25,388	59,388

The notes on pages 19 to 38 form an integral part of these financial statements.

FIL Life Insurance Limited

Statement of cash flows for the period ended 31 December 2020

	Note	6 months to December 2020 £000	12 months to June 2020 £000
Profit for the period		1,256	2,856
Add non cash expenditure			
Net loss on insurance business		32	(36)
Accrued interest		(18)	(514)
Other non-cash items		-	-
Cash flows from operating activities			
Net movement in operational assets & liabilities		(23,362)	40,482
Net cash (outflow)/inflow from operating activities		<u>(23,348)</u>	<u>39,932</u>
Cash flows from investing activities			
Interest received		18	514
Net cash inflow from investing activities		<u>18</u>	<u>514</u>
Net increase in cash and cash equivalents		(22,074)	43,302
Cash and cash equivalents at beginning of year		143,968	100,666
Cash and cash equivalents at end of year		<u>121,894</u>	<u>143,968</u>
Cash and cash equivalents comprise:			
Cash at bank		23,866	29,214
Institutional liquidity funds		98,028	114,754
Cash and cash equivalents at end of year	16	<u>121,894</u>	<u>143,968</u>
Restricted cash *		1,155	1,155
Cash at bank and in hand		<u>123,049</u>	<u>145,123</u>

Included in the Cash and Cash Equivalents are £38,641,000 (year to June 2020: £55,421,000) in respect of liabilities to customers, where the funds have not yet been invested or are in the process of being settled; these assets are not available for use by the company.

* An amount of £1,155,000 (year to June 2020: £1,155,000) is held within a restricted bank account, which has been represented and separated from cash and cash equivalents in the current and prior period as a result of the restriction.

The notes on pages 19 to 38 form an integral part of these financial statements.

FIL Life Insurance Limited

Notes forming part of the financial statements for the period ended 31 December 2020

1. General Information

FIL Life Insurance Limited is a private company limited by shares and incorporated in England. The registered office is Beech Gate, Millfield Lane, Lower Kingswood, Tadworth, Surrey, KT20 6RP. The Company's principal activities are set out in the Strategic Report.

The start date for the period covered by reporting is 1 July 2020 and the end date for the period covered by reporting is 31 December 2020. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The FIL Group financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance groups.

FRS 102 applies to financial statements that are intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period.

FRS 103 also applies to an entity complying with FRS 102 and is intended to give a true and fair view of a reporting entity's financial position and profit or loss (or income and expenditure) for a period.

FRS 103 is applicable for accounting of insurance contracts. As per FRS 103, an insurance contract is "A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event occurs".

FIL Life has two business lines, one is annuity business, which is fully reinsured by Hannover Rück SE and the other being the defined contribution (unit linked) business. As per the above definition only the annuity business and associated reinsurance fall under the ambit of being insurance contracts.

For the defined contribution business, there is no embedded insurance risk and it does not fall within FRS 103. The report will not include commentary on FRS 103 except for the disclosures required by it.

Solvency II best estimate liability (BEL) and risk margin have been used to measure insurance liabilities in the financial statements.

3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest £000.

FIL Life Insurance Limited

Notes forming part of the financial statements for the period ended 31 December 2020 (continued)

3. Principal accounting policies (*continued*)

(b) *Going concern*

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

(c) *Statement of cash flows*

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less, but excludes restricted cash.

(d) *Other technical income*

Fees charged for investment management services and policy administration charges are recognised net of rebates (for contracts where the company acts in an agency capacity, otherwise they are shown gross) when the services are provided. Investment management performance related fees are recognised at the point when entitlement arises. A restatement has been made to the prior year, where certain third party revenues were presented net of expenses to fund partners rather than gross, which more appropriately reflects the contractual relationships for these transactions. The impact of the adjustment was to increase other technical income by £9,945,000 and increase net operating expenses by £9,945,000.

(e) *Investment income*

Finance Income represents the interest earned on Institutional Liquidity Funds ("ILF"). Interest is accounted for on an accruals basis.

(f) *Claims*

Claims incurred comprise claims paid in the year and changes in provisions for outstanding claims, together with any other adjustments to claims from previous years. Reinsurance recoveries are accounted for in the same period as the related claim.

(g) *Technical provisions – Long-term business provision and associated reinsurers' share*

The Company in the past has written annuities that transfer significant insurance risk. The legacy annuity policies relate to benefits due for 999 individuals. No new annuity business has been written since 2011. The annuity portfolio is fully reinsured to Hannover Rück SE. The reinsurance treaty also consequently transfers significant insurance risk. No collateral is held in relation to the reinsurance assets.

The technical provisions and associated reinsurers' share is computed by the Company's Actuary. A Solvency II basis has been adopted with the technical provisions measured as the best estimate liability plus a risk margin. The best estimate liability is the discounted present value of future annuity payments using best estimate assumptions to reflect an assessment of the future experience of mortality and inflation. The reinsurers' share is on a best estimate basis and also provides for the risk of credit default by the reinsurer. The risk margin is presented in the technical provisions and reinsurers' share of technical provisions on a gross of reinsurance basis (unlike Solvency II which is net of reinsurance). Further details are contained within note 19.

(h) *Return on investment contracts*

Return on investment contracts includes dividends, interest income and net fair value gains/(losses) on the assets held to cover linked liabilities. Dividends are recorded on the date on which the shares are quoted ex dividend. Interest income is accounted for on an accruals basis.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

3. Principal accounting policies (continued)

(h) Return on investment contracts (continued)

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price, or if they have been previously valued, their valuations at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

(i) Investments

Listed investments held are stated at market value. Other investments are included at directors' valuation, having prudent regard to their realisable value. Purchases and sales of investments are accounted for using trade date accounting.

(j) Investment management expenses

Investment management expenses are recognised on an accruals basis. These expenses relate to the outsourcing of the investment management process and policyholder administration to other group companies. As a result of this, an arrangement fee of 95% (year to June 2020: 95%) of the company's total fee income is distributed between the group companies providing outsourced services.

All new business costs are incurred by the outsourced provider. No allowance has therefore been made for any deferred acquisition costs.

(k) Investment contract liabilities

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Unit-linked contracts written by the Company, where the liability under the contract is dependent on the value of the underlying financial assets are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk.

Amounts received in respect of unit-linked investment contracts, which principally involve the transfer of financial risk, are accounted for using deposit accounting, under which amounts collected are credited directly to the balance sheet, as an adjustment to the liability to the policyholder. Financial liabilities in respect of unit-linked investment contracts are measured at fair value through profit and loss and are presented in the balance sheet as 'Investment contract liabilities'.

Fees receivable from unit-linked investment contracts and investment income and interest payable on contract balances are recognised in the profit and loss account in the year they are assessed unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided. There are no front end fees and so no deferral is made.

(l) Dividend policy

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders.

These amounts are recognised in the statement of changes in equity.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

3. Principal accounting policies (continued)

(m) Financial instruments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of financial instruments.

Financial assets

The Company classifies its financial assets into the following categories: Assets held to cover linked liabilities, Other financial investments – seed capital and Debt securities and other fixed-income securities – held-to-maturity. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Other financial investments – Seed capital

Financial assets are classified into this category are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. They are held at fair value through profit and loss and represent funding provided by the shareholder to launch new funds.

ii) Assets held to cover linked liabilities

Financial assets classified into this category are also assets whose performance is evaluated on a fair value basis. They are held at fair value through profit and loss and represent assets held to back the associated unit-linked investment contracts on behalf of policyholders.

For both of the prior categories, the fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. The fair values of financial instruments that are not traded in an active market (for example, unlisted equities and over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants. The specific valuation techniques used are described in Note 17.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Return on Investment Contracts' in the period in which they arise.

iii) Debt securities and other fixed-income securities – held-to-maturity

Redeemable fixed interest securities, in respect of which there is a positive intention to hold to maturity, are valued at amortised cost. The amortisation is calculated so as to write off the difference between the purchase price and the maturity value over the life of the security, using the effective interest method.

Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

3. Principal accounting policies (continued)

Financial liabilities (continued)

(m) Financial instruments (continued)

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit and loss account as interest expense. Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

(n) Foreign currencies

The functional currency of the company is Sterling and all figures are stated in Sterling. There are no transactions in currencies other than Sterling.

(o) Taxation

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the year.

Deferred tax assets and liabilities are recognised in accordance with the provisions of FRS 102. Deferred tax is recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not discounted.

The transfer of the balances on the long-term business technical account to the non-technical account is grossed up by the attributable tax, using the effective rate of tax applicable for the year.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks, deposits held at call with banks (excluding restricted cash), treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition.

(q) Debtors

Short-term debtors, with no stated interest rate and receivable within one year, are measured at transaction price less any impairment. Any losses arising from impairment are recognised in the profit and loss account. All debt instruments which are basic financial instruments are measured at amortised cost using the effective interest method, less any impairment.

(r) Creditors

Short-term creditors, with no stated interest rate and payable within one year, are measured at transaction price. Other financial liabilities are measured at amortised cost.

(s) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

3. Principal accounting policies (continued)

(s) Current and deferred tax (continued)

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- i) the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- ii) any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgments in applying the entity's accounting policies

The company currently does not have any critical judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Annuity valuation

The company makes estimates for the discount rate, mortality, longevity and inflation in the valuation of the annuity business. Further details are contained within note 14.

5. Staff costs

With the exception of any non-executive Directors (see note 6), the Company does not employ any staff itself. There are no direct staff costs. Staff are provided as part of the Insurance Agency and Services Agreement by FIL Pensions Management.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

6. Directors' remuneration

	6 months to December 2020 £000	12 months to June 2020 £000
Directors' emoluments	73	146
Highest paid director	40	81
Aggregate emoluments	<u>73</u>	<u>146</u>

Executive directors receive no incremental emoluments for performing their roles as directors of the company.

7. Other technical income, net of reinsurance

	6 months to December 2020 £000	12 months to June 2020 £000
Policy administration and asset management fees	29,578	60,443*
Total technical income	<u>29,578</u>	<u>60,443</u>

All income is earned in the UK.

* Prior year values restated, see note 2(d)

8. Annuity payments

The Annuity business is fully reinsured with Hannover Rück SE.

Claims incurred, net of reinsurance

	6 months to December 2020 £000	12 months to June 2020 £000
Gross amount	258	505
Reinsurer's share	(258)	(505)
	<u>-</u>	<u>-</u>

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

9. Net operating expenses

	6 months to December 2020 £000	12 months to June 2020 £000
Insurance agency services payments (see note 25)	22,630	44,583
Rebate payments	4,185	9,945*
Compliance fees	554	860
Consultancy fees	107	185
Other administrative expenses	674	2,240
Total other expenses	28,150	57,813

* Prior year values restated, see note 2(d)

Auditors' remuneration

During the year the Company obtained following services from the Company's auditors and their associates at costs as detailed below.

	6 months to December 2020 £000	12 months to June 2020 £000
Fees payable to the Company's auditor and their associates for the audit of the financial statements	95	77
Fees payable to the Company's auditor and their associates for other services	-	38
-Stakeholder audit fees	-	19
-Solvency II audit work	18	16
Total auditors' expenses	113	150

Other fees related to assurance services relating to the Master Trust application to the Pensions Regulator.

10. Investment income

	6 months to December 2020 £000	12 months to June 2020 £000
Interest income	72	30
Finance income	18	514
Total investment income	90	544

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

11. Tax on profit on ordinary activities

Long term business technical account

	6 months to December 2020 £000	12 months to June 2020 £000
UK corporation tax at 19% (June 2020: 19%)		
Current tax on income for the period	313	109
Adjustment in respect of prior years	-	81
Current tax on ordinary activities	313	190
Deferred tax	(19)	92
Tax on profit on ordinary activities	294	282

Non-technical accounts

UK corporation tax at 19% (June 2020: 19%)		
Current tax on income for the period	17	33
Tax attributable to balance on long term business technical account	277	249
Tax on profit on ordinary activities	294	282

Factors affecting the tax charge for the year

The tax assessed for the year is the same as (year to June 2020: higher than) the standard rate of corporation tax in the UK of 19% (year to June 2020: 19%). The difference is explained below.

	6 months to December 2020 £000	12 months to June 2020 £000
Profit on ordinary activities before tax	1,550	3,138
Profit on ordinary activities before tax at the standard rate of UK corporation tax of 19% (June 2020: 19%)	294	596
Adjustment in respect of prior years	-	81
Disallowable item	-	7
Recovered Tax Credits paid to policyholders	-	(401)
Movement in prior year deferred tax	-	(1)
Total tax charged for the year	294	282

Deferred tax

The deferred tax liability has been recognised in accordance with the transitional provision agreement between the Company and HMRC as a result of the new tax regime applicable for insurance companies which became effective from 1 January 2013 and ends on 31st December 2022.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

11. Tax on profit on ordinary activities (continued)

	6 months to December 2020 £000	12 months to June 2020 £000
At 1 July 2020	57	(34)
Deferred tax charge in the statement of comprehensive income for the year	(19)	91
At 31 December 2020	38	57

12. Other financial investments

	6 months to December 2020 £000	12 months to June 2020 £000
Seed capital - units in funds		
Carrying value	1,207	1,073
Purchase price	983	989

Seed capital represents funding provided by the shareholder to launch new funds. The fair value of seed capital is based on bid prices. The Board has authorised the use of capital for the purpose of seeding new funds / share classes. Each share class of a Fund is seeded with £4,000 until assets within that share class reach a pre-determined level when it can be withdrawn.

13. Assets held to cover linked liabilities

	6 months to December 2020 £000	12 months to June 2020 £000
Carrying value		
Fund assets	21,906,646	19,210,354
Reinsured assets	14,848,148	12,994,521
Policyholder financial assets	36,754,794	32,204,875
Purchase price		
Fund assets	18,587,816	17,652,919
Reinsured assets	11,858,349	11,181,041
Policyholder financial assets	30,446,165	28,833,960

14. Reinsurer's share of technical provisions - long-term business provisions

	6 months to December 2020 £000	12 months to June 2020 £000
Annuity life business at start of year	13,940	13,042
Claims recovered under reinsurance	(258)	(505)
Change in technical provisions	(362)	1,403*
Annuity life business at end of year	13,320	13,940

* The prior year change in technical provisions has been restated by £694,000 due to a manual calculation error in the roll forward.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

14. Reinsurer's share of technical provisions - long-term business provisions (continued)

The main assumptions in calculating the best estimate liability are as follows:

- Discount rate – the GBP risk-free interest rate term structure prescribed (basic risk free rate curve including the credit risk adjustment but with no matching or volatility adjustment) and provided by EIOPA as at 31 December 2020 and 30 June 2020.
- Mortality – base mortality assumptions are 100% of the PMA08 tables for males and 100% of the PFA08 table for females, for both 31 December 2020 and 30 June 2020.
- Longevity – longevity improvements are the 2019 CMI core mortality projections model with a 1.50% and 1.4% long term rate of mortality improvement for males and females respectively (year to June 2020; 2019 CMI and 1.60% and 1.50%). All parameters are otherwise as per the Core parameterisation, 31 December 2020 and 30 June 2020.
- Inflation – the UK Government's liability forward rate inflation curve provided by the Bank of England as at 31 December 2020 and 30 June 2020.

As set out in accounting policy (g), the reinsurer's share of technical provisions includes a risk margin calculated on the reinsurers share following the principles set out in the Solvency II Delegated Act 2015/35. The risk margin is based upon the forecast future longevity risk and counterparty risk relating to the annuity business only, discounted using EIOPA discount rate as noted above and the prescribed cost of capital of 6%.

15. Trade and other receivables

	6 months to December 2020 £000	12 months to June 2020 £000
Receivables arising from investment contracts for management fees	93	-
Other receivables	164	108
Recoverable from HM Revenue and Customs	2,184	2,785
Trade and other receivables	2,441	2,893

16. Cash at bank and in hand

Included in the Cash and Cash Equivalents are £38,641,000 (year to June 2020: £55,421,000) in respect of assets of customers, where the funds have not yet been invested or are in the process of being settled; these assets are not available for use by the Company. The corresponding liability is shown in other creditors, including taxation.

	6 months to December 2020 £000	12 months to June 2020 £000
Cash at bank	25,021	30,369
Institutional liquidity fund ("ILF")	98,028	114,754
Total cash at bank	123,049	145,123

FIL Life Insurance Limited

Notes forming part of the financial statements for the period ended 31 December 2020 (continued)

17. Financial asset measurement basis

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Recent transactions in an identical asset if there is unavailability of quoted prices (Level 2).
- Inputs for the asset or liability that are based on observable and non-observable market data (Level 3).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2020.

	6 months to December 2020 £000	12 months to June 2020 £000
Assets (Level 1)		
Financial assets at fair value through profit and loss		
• Policyholder assets	36,754,794	32,204,875
• Seed capital	1,207	1,073
Total assets	36,756,001	32,205,948

Included in the amounts above are investments for the benefit of life insurance unit-linked policyholders who bear the investment risk totalling £36,754,794,000 (year to June 2020: £32,204,875,000). The fair value of the liabilities follows the fair value of the linked assets matching these linked liabilities and are considered to be Level 1.

The unit linked investment contracts are included in the financial statements at fair value and are classified within Level 1. The fair value of cash and cash equivalents are classified as Level 1.

18. Share capital

	6 months to December 2020 £000	12 months to June 2020 £000
Allocated, called up and fully paid		
12,000,000 (June 2020: 12,000,000) ordinary shares at £1 each	12,000	12,000

19. Long-term business provision

	6 months to December 2020 £000	12 months to June 2020 £000
Long-term business provision at start of year	14,361	13,427
Claims recovered under reinsurance	(258)	(505)
Change in technical provisions	(394)	1,439*
Long-term business provision at end of year	13,709	14,361

* The prior year change in technical provisions has been restated by £694,000 due to a manual calculation error in the roll forward.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

19. Long-term business provision (continued)

	Base £000	Interest rates up 1% £000	Interest rates down 1% £000	Longevity £000
Best estimate liabilities (gross)	12,130	10,700	12,312	13,382
Reinsurance asset	12,035	10,623	12,215	13,268
Net exposure	94	77	97	114

The main assumptions in calculating the best estimate liability are as follows:

- Discount rate – the GBP risk-free interest rate term structure prescribed (basic risk-free rate curve including the credit risk adjustment but with no matching or volatility adjustment) and provided by EIOPA as at 31 December 2020 and 30 June 2020.
- Mortality – base mortality assumptions are 100% of the PMA08 tables for males and 100% of the PFA08 table for females, for 31 December 2020 and 30 June 2020.
- Longevity – longevity improvements are the 2019 CMI core mortality projections model with a 1.50% and 1.4% long term rate of mortality improvement for males and females respectively (June 2020; 2019 CMI and 1.60% and 1.50%).
- Inflation – the UK Government's liability forward rate inflation curve provided by the Bank of England.

As set out in principle accounting policy (g), the reinsurer's share of technical provisions includes a risk margin calculated on the reinsurer's share following the principles set out in the Solvency II Delegated Act 2015/35. The risk margin is based upon the forecast future longevity risk and counterparty risk relating to the annuity business only, discounted using EIOPA discount rate as noted above and the prescribed cost of capital of 6%.

The annuity business is fully reinsured to Hannover Rück SE and is not considered sensitive to a change in interest rates. A 1% fall in interest rates would increase the net balance sheet liabilities by £1,000 due to the change in the risk of credit default by the reinsurer.

20. Investment contract liabilities

	6 months to December 2020 £000	12 months to June 2020 £000
Liabilities to customers under investment contracts	36,754,794	32,204,875

21. Provision for taxation - Deferred tax liabilities

A deferred tax liability of £76,000 (year to June 2020: £95,000) has been recognised to reflect future liabilities arising on transition to the new tax regime (which became effective from 1 January 2013).

22. Other creditors including taxation

	6 months to December 2020 £000	12 months to June 2020 £000
Other payables, including fund purchases	42,343	65,977
Amounts payable to group companies	2,125	2,687
	44,468	68,664

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

23. Capital risk management

The Company maintains an efficient capital structure from a combination of equity shareholders' funds and borrowings, consistent with the company's risk profile and the regulatory and market requirements of its business.

In order to ensure that the Company retains a capital surplus, the capital management policy is to maintain a buffer over and above the minimum capital requirement of the higher of:

- i) the Solvency Capital Requirement ("SCR") also known as the Pillar 1 requirement plus the Master Trust capital requirement, less any amounts held; (i) as security in favour of the Master Trust; and (ii) by the Master Trust for the purpose of meeting the capital requirement ("MT"); and
- ii) the requirements identified through the Own Risk & Solvency Assessment ("ORSA") also known as the Pillar 2 requirement.

The capital management policy goal is to hold a discretionary buffer over the greater of the SCR and ORSA requirements, as determined by the Board. The discretionary buffer is subject to a quarterly review by the Chief Financial Officer function holder (Senior Management Function ("SMF") 2) and an annual review by the Board.

The Company is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA to carry out contracts of insurance and is required to maintain adequate financial resources. It must be able to demonstrate that its available capital exceeds the capital requirement at any time.

To ensure compliance with the minimum requirement, the Company has set a higher capital management policy goal against which its capital is monitored.

The Company's total available capital resources are £58.717m (June 2020: £57.496m). The total capital is held by the insurance business and is constrained by regulatory requirements. This means it may not be possible for the capital to be used to provide funding for other businesses.

The Solvency II regime has been effective since 1 January 2016 and established a new set of EU-wide capital requirements, risk management and disclosure standards. As part of the Brexit process, the PRA have incorporated these requirements into UK legislation. The Company is subject to these regulations and is required to meet a Solvency Capital Requirement (SCR) which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12 month time horizon. The Company calculates its SCR in accordance with the standard formula prescribed in the Solvency II regulations as the assumptions underlying the standard formula are considered to be a reasonable but prudent fit for the Company's risk profile.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

23. Capital risk management (continued)

Capital position statement

The following table has been included for information and is based upon the Directors' interpretation of the Solvency II Delegated Acts.

	6 months to December 2020 £000	12 months to June 2020 £000
Total shareholders' funds as per financial statements	59,388	58,132
Adjustments to restate in accordance with regulatory requirements		
a) Value in force business (VIF)	3,862	4,072
b) Estimated risk margin on unit-linked business	(3,334)	(3,506)
c) Ring fenced asset	(1,155)	(1,155)
d) Deferred taxation (SII)	(44)	(47)
Total capital resources available to meet regulatory requirements	58,717	57,496
Regulatory capital requirement	(24,206)	(22,623)
Surplus of capital resources over regulatory requirements	34,511	34,873
Own funds at 1 July	57,496	
Change in value in force business (VIF)	(210)	
Change in unit-linked risk margin	172	
Change in ring fenced asset	-	
Change in deferred taxation	3	
Comprehensive income for the year	1,256	
Own funds at 31 December	58,717	

Analysis of liabilities

Sensitivity to insurance risk

As described in note 14 the only insurance risk in the company relates to a small book of annuity business. The business is fully reinsured and the sensitivity to any insurance risk is not considered material. The capital position is not sensitive to lapse and persistency under the short contract boundary and value in force business (VIF).

24. Risk management policies

The primary objective of the Company's risk and financial management framework is to protect the Company from events that hinder the sustainable achievement of its performance objectives, including failing to exploit opportunities. The Board of Directors recognise the critical importance of having efficient and effective risk management systems in place and has adopted the FIL Group-wide risk management and policy framework supported by individual policies specific to FIL Life. The Company's key operational indicators (such as accounts and key performance indicators) and the Company's key operational policies and guidelines are periodically reviewed and approved by the Board.

As part of this, the Company is also subject to periodic internal audit by FIL Group's Internal Audit department. In addition, FIL Life Insurance Limited engages external advisors including an external Actuary and legal advisors, as appropriate.

FIL Life Insurance Limited

Notes forming part of the financial statements for the period ended 31 December 2020 (continued)

24. Risk management policies (*continued*)

The Company monitors its identified key risks on a regular basis. This enables the Company to assess the overall risk exposure and to determine which risks and what level of risk the Company is prepared to accept and the adequacy of planned mitigating actions.

The Company monitors its identified key risks on a regular basis. This enables the Company to access the overall risk exposure and to determine which risks and what level of risk the Company is prepared to accept and the adequacy of planned mitigating actions.

The Company's business is subject to the regulatory requirements of the Solvency II and Prudential Regulatory Authority, which prescribe the type, quality and concentration of investments, and the level of assets to be maintained in order to meet insurance liabilities. These requirements also impose certain rules upon the valuation of the Company's assets and liabilities and certain minimum capital requirements to minimise the risk of insolvency.

The Company's risk management objectives and policies are primarily designed to protect the Company's regulatory capital, thereby safeguarding policyholders' interests whilst ensuring the ability to meet cash flow requirements.

Principal risks and uncertainties

Insurance risk

The Company engages primarily in unit linked business and has a small legacy annuity book. The inherent risk in annuity is Longevity Risk. The company has reinsured its portfolio of annuity with Hannover Rück SE. There is a minimal insurance risk for the company. The capital position will be also be sensitive to persistency under Solvency II.

Financial risk

The Company is exposed to financial risk through its cash holdings, its receivable balances and its investment in the Fidelity Institutional Liquidity Fund plc. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

a) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices. Market risk to the Company is limited as, through a 100% matching of policyholder assets and liabilities, the risk on the valuation of assets is borne by the policyholders. There is a minimal market risk for seed capital investments.

Interest rate risk

The Company's main exposure to interest rate risk relates to interest bearing assets in the form of deposits and cash held with the Company's banks or other approved institutions. The impact of a fall or increase in interest rates has not been shown on the basis of materiality following sensitivity analysis.

The other interest rate risk is on account of discounting of future annuity payments under the legacy annuity business. The annuity portfolio is now completely reinsured by Hannover Rück SE. The company has no principal risk on account of this.

FIL Life Insurance Limited

Notes forming part of the financial statements for the period ended 31 December 2020 (continued)

24. Risk management policies (continued)

Currency risk

The Company is not directly exposed to currency rate risk. At 31 December 2020, the Company has no exposure to currency risk as all cash and holdings in investments are currently denominated in Sterling Pound.

b) Credit risk

Credit risk is assumed whenever the Company is exposed to loss if another party fails to perform its financial obligations to the Company, including a failure to perform them in a timely manner.

The Company is exposed to the default of banks where there are cash balances held with those banks, and to the default of the managers of institutional liquidity funds. The Company holds cash on deposit with Barclays Bank plc. Barclays Bank plc is A rated by Standard & Poor's. Accounts receivable balances are held predominantly with other FIL Group companies which are considered low risk.

The Company performs an assessment of the risk profile of a counterparty prior to taking on a credit exposure. The factors to be considered will vary according to both the type of credit and the counterparty being considered. Only approved counterparties may be dealt with.

External credit ratings are monitored against appetite. An approved counterparty is one that is assigned an external rating of BBB+ or higher or a Dun & Bradstreet risk indicator of 3 or better. Cash balances or deposits are only placed with approved relationship banks or liquidity funds. The Company undertakes ongoing monitoring of the credit quality of the counterparty and an assessment of the claims payment ability where the counterparty is a reinsurer.

Appropriate provision is made where an amount is not considered to be recoverable. At 31 December 2020, no financial assets included in the table below are past due or impaired.

A credit risk policy and related controls have been put in place.

December 2020 Credit Rating (S&P)	AAA £000	A £000	Total £000
Institutional liquidity fund ("ILF")	98,028	-	98,028
Cash and cash equivalents	-	25,021	25,021
	98,028	25,021	123,049
June 2020 Credit Rating (S&P)	AAA £000	A £000	Total £000
Institutional liquidity fund ("ILF")	114,754	-	114,754
Cash and cash equivalents	-	30,369	30,369
	114,754	30,369	145,123

c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties obtaining funds to meet commitments associated with financial and other liabilities. All policyholder assets can be readily liquidated. The Liquidity risk for policyholder assets is minimal, as the proceeds will be provided by sale of the underlying assets.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

24. Risk management policies (continued)

c) Liquidity risk (continued)

Any deferment of sale proceeds can be matched by deferring payment to policyholders as per the policy contracts. Detailed investment and disinvestment policies and guidelines are in place and updated periodically.

Situations that could potentially result in liquidity strains on FIL Life's resources are supported by a formal agreement with Financial Administration Services Limited ("FASL") for the provision of liquidity. Both the Company and FASL meet regularly to identify upcoming liquidity needs.

For each main category of business, the following shows the gross liability at 31 December 2020 analysed by duration. The total liability is split by duration in proportion to the present value of cash-flows estimated to arise during that period. For unit linked liabilities, all liabilities are presented in the "Up to a year" category to reflect the contractual surrender basis.

December 2020	Up to a Year '£000	1 - 5 Years '£000	Over 5 Years '£000	Total '£000
Unit linked liabilities	36,754,794	-	-	36,754,794
Annuity liabilities	523	2,113	9,494	12,130
Risk margin	68	275	1,236	1,579
Other payables	67,740	-	-	67,740
Total	36,823,125	2,388	10,730	36,836,243

June 2020	Up to a Year '£000	1 - 5 Years '£000	Over 5 Years '£000	Total '£000
Unit linked liabilities	32,204,875	-	-	32,204,875
Annuity liabilities	520	2,104	10,004	12,628
Risk margin	71	289	1,373	1,733
Other payables	91,443	-	-	91,443
Total	32,296,909	2,393	11,377	32,310,679

d) Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems or from external events. This definition is intended to include all risk exposures to which the Company is exposed, other than the financial risks described above and strategic and Company risks that are considered elsewhere. Hence operational risks include, for example, outsourcing arrangements to external providers, conduct, IT, information security, project, legal, and fraud and compliance risks.

Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational, policyholder, employee and reputation criteria. Operational risks are reported, as with other risks, on a quarterly basis. A holistic view of the Company's financial and non-financial risks, including operational risks, is discussed at Board level on a quarterly basis.

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

24. Risk management policies (*continued*)

e) Expense risk

Expense risk is managed by the Company through the assessment of business unit profitability, and frequent monitoring of expense levels. Expense risk is mitigated under the terms of the Insurance Advisory and Sales Agreement in place between the Company and FIL Pension Management.

f) Derivatives risk

There are no derivatives in FIL Life Insurance Limited.

g) Unit linked contracts

For unit-linked contracts the Company matches all the liabilities with assets in the portfolio on which the unit prices are based. There is therefore no interest, price, currency or credit risk for the Company on these contracts.

Amounts under unit-linked contracts are generally repayable on demand and the Company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit linked policyholders to be met as they fall due. However, the terms of funds investing in less liquid assets permit the deferral of redemptions for predefined periods in circumstances where there are not sufficient liquid assets within the fund to meet the level of requested redemptions.

25. Insurance Agency Services Agreement

The Company has entered into an agreement with FIL Pensions Management ('FPM'), a related party with common ownership to the Company, to receive insurance agency and other insurance intermediary services. Under the terms of the agreement, payments in consideration of the service are made subject to the Company making a sufficient return. FPM indemnifies the Company for any losses arising from errors in providing these services up to the value of the annual consideration. Provisions for liabilities related to such errors are included in the Annual Report and Financial Statements of FPM and the Solvency & Financial Conditions Report ("SFCR") for the Company. Although the Company is fully indemnified, we draw attention to a provision of £7,672,000 (June 2020: £8,384,000) which FPM has recognised in its financial statements for the 6 months ended 31 December 2020, to cover potential liabilities arising from processing errors identified in its defined contribution pension business. While FPM continues to investigate the extent of the error and the number of impacted clients, the current provision represents FPM's best estimate of the likely future redress at the balance sheet date.

The provision is shown gross of amounts recoverable from FPM's insurance arrangements. Insurance recoverable can only be recognised as an asset when it is virtually certain that the company will receive reimbursement on settlement of the provision. At 31 December 2020 FPM has recognised an insurance recoverable of £4,184,000 (June 2020: £5,681,000) which is included in debtors.

26. Related party transactions

a) Transactions involving directors or key management

No contract of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 102 Section 33 "Related Party Disclosures".

FIL Life Insurance Limited

Notes forming part of the financial statements
for the period ended 31 December 2020 (continued)

26. Related party transactions (*continued*)

b) Transactions involving other related parties

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to the use of exemptions by FIL Life Insurance Limited's shareholders.

The company has taken advantage of the exemption permitted by section 33.1A of FRS 102 not to disclose related party transactions with entities that are wholly owned subsidiaries of the FIL Group.

27. Ultimate parent company

The Company's immediate and ultimate parent undertaking and controlling company is FIL Limited, a company incorporated in Bermuda which owns 100% of the Company's issued share capital. FIL Limited is the only parent undertaking to consolidate these financial statements.