MGM Advantage Holdings Limited

Company registration number:

08393858 (England and Wales)

Annual Report and Financial Statements

for the year ended 31 December 2019

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Directors, Officers and Advisers

Directors

Douglas Allan Brown

Robert Craig Fazzini-Jones

Non-Executive Directors

Sir William Proby CBE

John Robert Cusins

Nathan Moss

Chairman

Derek Nigel Donald Netherton

Company Secretary

Lisa Annette Rodriguez (appointed 25 September 2019)

Abayomi Akisanya (resigned 25 September 2019)

Registered office address

6^{th} Floor

110 Cannon Street

London

EC4N 6EU

Company registration number

08393858

Statutory Auditor

Deloitte LLP

Bristol

Bankers

Barclays Bank PLC

Legal Advisers

Freshfields LLP

Hogan Lovells International LLP

Pinsent Masons LLP

Sherrards Solicitors LLP

Wallace LLP

Strategic Report

The Directors consider that the content of this Strategic Report includes the detail that is required by regulations and is fair, balanced and understandable, as required by s414(c) of the Companies Act 2006.

This strategic report has been prepared for MGM Advantage Holdings Limited (the 'Company').

Principal activities

The principal activity of the Company is that of an investment holding company. MGM Advantage Holdings Limited wholly owns the following subsidiaries: MGM Advantage Life Limited; MGM Advantage Services Limited; and Stonehaven UK Ltd. At 31 December 2019, the immediate parent undertaking of the Company was The Canada Life Group (U.K.) Limited and its ultimate parent undertaking was Power Corporation of Canada, a company incorporated in Canada. The Company invests in regulated entities, who provide insurance and retirement income solution products, insurance administration services and equity release mortgages.

The Company itself is not a regulated entity.

Business review

In 2019 the Company made an after-tax loss of £169.2m, in the prior year the company made an after-tax profit of £5.0m. The primary reason for the significant loss in 2019 was due to the impairment of the Company's investment in subsidiary undertakings associated with the Part VII transfer of insurance business from MGM Advantage Life Limited to Canada Life Limited, as discussed further below. If it had not been for the impairment, the Company would otherwise have made an after-tax profit of £5.1m.

During 2019, The Canada Life Group (U.K.) Limited invested a further £84m into MGM Advantage Holdings Limited in the form of capital contributions. This amount was onward invested into MGM Advantage Life Limited, via subscriptions to share capital and share premium. The additional capital supported the solvency position of MGM Advantage Life Limited during periods of economic volatility and enabled the business to continue to develop its lead product 'The Retirement Account' ('TRA').

On 1 January 2020 MGM Advantage Life Limited transferred all its insurance business to Canada Life Limited under Part VII of the Financial Services and Markets Act 2000. As a result, MGM Advantage Life Limited changed its principal activity from insurer to SIPP operator and, in doing so, reduced its solvency capital requirements and balance sheet net asset value. The outlook of MGM Advantage Services correspondingly changed such that its capacity to generate revenue from service fees associated with policy administration diminished. As a result of the Part VII transfer, it was appropriate to impair the value of the Company's investments in both subsidiaries to the net asset values of their individual balance sheets at 31 December 2019 and with the effect of the Part VII transfer that completed on the 1 January 2020. The impairment adjustment led to a decrease in value of £174.3m.

Stonehaven had a successful financial year in 2019, making an after-tax profit of £3.9m (2018: £3.2m). As a result, and, after taking account of Stonehaven's capital requirements, the subsidiary paid an interim dividend of £2.0m (2018: £2.0m) from its after-tax profit to the Company.

The Company recharged its subsidiaries £1.6m (2018: £2.6m) for management services provided during the year.

The dividend received and recharge for management services helped the Company to pay interest to The Canada Life Group (U.K.) Limited of £3.8m.

The operating expenses of the Company decreased from £0.2m to £0.0m, as only a small value of audit fees were paid in 2019, compared to higher consultancy and audit expenses incurred in the prior year, relating to the acquisition of the Company and its subsidiaries by The Canada Life Group (U.K.) Limited.

Strategic Report (cont.)

Regulatory risk

Whilst the Company itself is not a regulated entity, the companies it invests into are regulated entities. During the financial year end at 31 December 2019, all of the Company's subsidiaries met their regulatory capital requirements.

Economic risks

The Company is exposed to the economic risk over the performance of the subsidiaries that it invests into, as their performance and solvency position could affect the carrying value of the Company's investments. Immediately prior to the year end, the carrying value of the Company's investments in MGM Advantage Life Limited and MGM Advantage Services Limited were assessed to be higher than their recoverable amounts and as a result the carrying values were accordingly reduced and an impairment loss was recognised. Further details of this are included in the business review section above.

Brexit risks

The UK left the European Union on 31 January 2020 with a withdrawal deal. Following its departure, the UK entered into a transition arrangement with the ambition to complete the withdrawal from the EU on 31 December 2020.

At the date of these financial statements, the Company's exposure to Brexit is felt mainly through its wholly owned subsidiary MGM Advantage Life Limited, whose insurance products are solely available to members or former members of UK based pension schemes and consequently the customer base is almost entirely UK resident. Similarly, the subsidiary's employees and suppliers are also principally UK based and therefore the main risk to the Company relates to potential economic impacts arising from Brexit.

COVID-19 risks

The ongoing coronavirus pandemic (COVID-19) is an emerging risk to which the Company is exposed. The Company is monitoring the situation closely and has made preparations to ensure that it will continue to operate effectively and ensure the safety and well-being of customers, employees and wider communities. Service continuity plans are in operation, with employees working remotely to maintain service to customers. The Company continues to review service standards and hold regular communication with outsource providers, their response to the pandemic has been robust and highly collaborative and they continue to provide full services to our customers.

The outbreak is having an impact on global economies and markets to which the Company is exposed and should this impact be sustained, or lead to adverse impacts in claims or sales of other Group companies, it could impact on the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has robust governance structures and processes in place which support continuous monitoring of the Company's financial position based on up to date market information.

Future developments and performance during the year

The Canada Life Group (U.K.) Limited invested an additional £84m as capital contributions into the Company during 2019. The Company then invested this capital into MGM Advantage Life Limited to strengthen the insurance entity's capital position ahead of its Part VII transfer of insurance business. As mentioned, under going concern in the Directors' report, the intention is to liquidate the Company on a solvent basis in the next 12 months.

Employees

The Company does not employ any staff directly, instead a workforce is employed directly by MGM Advantage Services Limited and Stonehaven UK Ltd.

Strategic Report (cont.)

Climate change

Sustainability risk is the risk of loss arising from the inability to maintain business operations and sustain the Company's growth due to negative externalities such as environmental degradation, social risk issues and climate change. The Company may experience direct or indirect financial, operational or reputational impact stemming from these externalities.

The Company's business and financial condition may be adversely impacted if the Company does not adequately prepare for or manage both physical and transition risks related to climate change. The impact of these risks to the Company are manly felt through its wholly owned insurance subsidiary, MGM Advantage Life Limited. In particular, climate-related risks may adversely affect the subsidiary's invested assets, customers, and suppliers, which in turn may negatively impact the Company's operations and financial condition.

Physical risks are associated with direct and indirect damage from weather-related events or environmental disasters, including indirect financial, operational or reputational impact stemming from environmental risk events. Physical risks, can manifest themselves in MGM Advantage Life Limited by causing reductions in product demand.

Further, the subsidiary's results of operations and financial performance may be adversely affected if product demand deviates from management's assumptions in respect to the administration of SIPP associated business.

Transition risks refer to reputational, market, regulatory, policy, legal and technology-related risks that arise from the shift toward a lower-carbon economy. The Company's exposure to transition risk consists primarily of exposure to credit risks arising from the investment portfolio of the Company's subsidiaries within the Group, as industries adjust to legal and policy changes, changing business models and consumer behaviour. Through supplier relationships, the Company may also become subject to the negative impacts of transition risks on third parties. The Company's financial condition may be negatively impacted by costs associated with changes in environmental laws and regulations and regulatory enforcement. Further, the Company's reputation, financial performance and ability to generate business may suffer if entities within the Group fail to meet stakeholder expectations on environmental risk mitigation practices and carbon reporting.

Key performance indicators

The Company does not use key performance indicators to measure performance.

Result for the year

The Company made a loss before tax for the year ended 31 December 2019 of £168.5m (2018 profit: £6.1m).

This report was approved by the Board of Directors of MGM Advantage Holdings Limited and signed on its behalf by:

Robert Craig Fazzini-Jones
Executive Director
6th Floor
110 Cannon Street
London
EC4N 6EU
24 April 2020

Directors' Report

The Directors present their report on the affairs of the Company, together with the financial statements for the year ended 31 December 2019.

Incorporation

MGM Advantage Holdings Limited was registered in England and Wales on 7 February 2013. The Company is a limited liability company incorporated in the UK and domiciled in the United Kingdom. The Company is a private company limited by shares. The Company commenced trading on 30 November 2013.

Results and dividends

Neither payment nor declaration of a dividend was made during the year ended 31 December 2019 (2018: £nil).

Directors

The Directors who served during the year and up to the date of signing were as follows:

Non-executive directors

Sir William Proby CBE

John Robert Cusins

Nathan Moss

Derek Nigel Donald Netherton

Executive directors

Douglas Allan Brown

Robert Craig Fazzini-Jones

Directors' indemnities

The Company's articles of association provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted by them in their capacity as officers or employees of the Company. The Company has qualifying third party indemnity provisions for the benefit of its directors and the directors of associated companies, which were in place throughout the year and remain in force at the date of this report.

Other than going concern basis

Since the acquisition of the MGMA Group by The Canada Life Group (U.K.) Limited in 2018, activities have been underway to integrate the two groups and to simplify the integrated group structure, accordingly, it is the Directors' intention to liquidate the Company and the annual report and financial statements have been prepared on a basis other than going concern. For further details see note 1c in the financial statements. The Company's position and assessment in respect of the recent COVID-19 outbreak is set out in Note 18.

Whilst the Company has net current liabilities as at 31 December 2019, the Company has access to liquid resources from its subsidiaries in 2020, via proceeds receivable as a result of the group's restructuring plans.

Directors' Report (cont.)

Political donations

There were no donations for political purposes (2018: £nil).

Information disclosed within the Strategic Report

In accordance with s414(c) of the Companies Act 2006, the Company has set out the following information within the Strategic Report on pages 3-5 which would otherwise be contained within the Directors' Report:

- Financial risk management objectives and policies; and
- Future developments.

In addition, detailed information on the management of financial risk and use of financial instruments is set out within note 17 of the financial statements.

Post balance sheet events

On 1 January 2020 the Company's wholly owned subsidiary, MGM Advantage Life Limited, pursuant to Part VII of the Financial Services and Markets Act 2000, transferred all its insurance business to Canada Life Limited. See note 18 for further details over this and an assessment over the impact of COVID-19.

Disclosure of information to auditor

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

So far as the Director is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' Report (cont.)

Independent Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as the auditor in the absence of an Annual General Meeting.

By order of the MGM Advantage Holdings Limited Board and signed on its behalf by:

Robert Craig Fazzini-Jones
Executive Director
6th Floor
110 Cannon Street
London, EC4N 6EU
24 April 2020

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. 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 and 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 IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent Auditor's Report

Independent Auditor's report to the members of MGM Advantage Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MGM Advantage Holdings Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Profit or Loss and Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1c in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (cont.)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report (cont.)

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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

A J Holland

Andrew Holland, FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, UK

24 April 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Investment income	3	8,072	7,518
Other income	4	1,600	2,600
Total income		**9,672**	**10,118**
Net operating expenses	5	(35)	(178)
Interest payable	6	(3,841)	(3,837)
Impairment losses	7	(174,294)	-
Total expenses		**(178,170)**	**(4,015)**
(Loss)/profit before tax		**(168,498)**	**6,103**
Income tax charge	8	(722)	(1,118)
(Loss)/profit for the year		**(169,220)**	**4,985**
Total other comprehensive income for the year, net of tax		-	-
Comprehensive income for the year, net of tax attributable to shareholders		**(169,220)**	**4,985**

All amounts derive from discontinued operations.

The notes on pages 17 to 33 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2019

	Notes	As at 31 Dec 2019 £'000	As at 31 Dec 2018 £'000
Assets			
Investment in subsidiary undertakings	9	91,715	175,948
Financial investments	10	750	101
Amounts due from related undertakings	11	-	69
Cash and cash equivalents	12	84	23
Total assets		**92,549**	**176,141**
Equity			
Issued share capital	13	62,401	62,401
Capital contribution	13	114,000	30,000
Retained earnings	13	(165,066)	4,154
Total equity		**11,335**	**96,555**
Liabilities			
Shareholder debt	14	78,385	78,385
Income tax payable	15	1,272	372
Amounts due to related undertakings	11	1,522	800
Other payables	16	35	29
Total liabilities		**81,214**	**79,586**
Total equity and liabilities		**92,549**	**176,141**

The notes on pages 17 to 33 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 24 April 2020 and were signed on their behalf by:

Robert Craig Fazzini-Jones, Executive Director

MGM Advantage Holdings Limited

Registered No. 08393858

Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Issued share capital	Capital contributions	Retained earnings	Total Shareholder's funds
		£'000	£'000	£'000	£'000
Balance as at 31 December 2017		**62,401**	**-**	**(831)**	**61,570**
Total comprehensive income for the year:					
Profit for the year		-	-	4,985	4,985
Transactions with owners of the Company:					
Capital contribution	13	-	30,000	-	30,000
Balance as at 31 December 2018	13	**62,401**	**30,000**	**4,154**	**96,555**
Total comprehensive income for the year:					
Loss for the year		-	-	(169,220)	(169,220)
Transactions with owners of the Company:					
Capital contributions	13	-	84,000	-	84,000
Balance as at 31 December 2019	13	**62,401**	**114,000**	**(165,066)**	**11,335**

The notes on pages 17 to 33 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December 2019	Note	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Cash flows from operating activities			
Payments to suppliers and employees		(27)	(1,035)
Purchase of fair value through profit and loss financial investments		(1,650)	(30,000)
Proceeds from disposal of fair value through profit and loss financial investments		1,004	31,685
Corporation tax received/(paid)		975	(900)
Management service fee		1,600	2,600
Net cash inflow from operating activities		**1,902**	**2,350**
Cash flows from investing activities			
Dividend income received		2,000	2,000
Purchase of shares and share premium in subsidiary		(84,000)	(30,000)
Net cash outflow from investing activities		**(82,000)**	**(28,000)**
Cash flows from financing activities			
Interest paid		(3,841)	(3,859)
Repayment of shareholder debt	11	-	(78,385)
Repayment of intra-group loan	11	-	(525)
Issue of shareholder debt capital	11	-	78,385
Capital contribution received		84,000	30,000
Net cash inflow from financing activities		**80,159**	**25,616**
Net increase/ (decrease) in cash and cash equivalents		61	(34)
Cash and cash equivalents at beginning of year		23	57
Cash and cash equivalents at end of year	12	**84**	**23**

The notes on pages 17 to 33 form an integral part of the financial statements.

Notes to the Company's Financial Statements

1. Accounting policies

a) General

MGM Advantage Holdings Limited (the 'Company') was incorporated in the United Kingdom on 7 February 2013. The Company is a limited liability company domiciled in England and Wales. The Company commenced trading on 30 November 2013.

b) Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and those parts of the Companies Act 2006, as applicable to companies reporting under IFRS.

The financial statements have been prepared on the basis of the realisable value of assets and liabilities as modified by financial instruments recognised at fair value. Realisable value is the fair value of the consideration expected to be received or paid for assets and liabilities when the company is liquidated.

The comparative information in the financial statements has been prepared under the historical cost convention as modified by financial instruments recognised at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements present information about the Company as an individual undertaking as it is exempt from the obligation to prepare consolidated financial statements under section 4(a) IFRS 10. The Company's results are included in the consolidated financial statements of The Canada Life Assurance Company, a company incorporated in Canada.

c) Other than going concern basis

Since the acquisition of the MGMA Group by The Canada Life Group (U.K.) Limited in 2018, activities have been underway to integrate the two groups and to simplify the integrated group structure. Accordingly, it is the Directors' intention to liquidate the Company within the next 12 months, therefore, the annual report and financial statements have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

Whilst the Company is illiquid at 31 December 2019, the Company has access to liquid resources from its subsidiaries in 2020, via proceeds receivable as a result of the group's restructuring plans.

d) Significant judgements and estimates made in the process of applying the Company's accounting policies

The preparation of the Company's financial statements requires management to make judgements, apart from those involving estimations that can significantly affect the amounts recognised in the financial statements.

The principal area of judgement and estimation uncertainty is over the valuation of the Company's investments in its subsidiaries. The Company conducts impairment reviews of its investments in subsidiaries whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable and also tests for impairment annually in accordance with IAS 36 – 'Impairment of Assets'.

1. Accounting policies (cont.)

e) Other income

Other income includes income received from subsidiaries for management services provided by the Company. The income is recognised as the Company's performance obligations are satisfied according to the stage of provision of management services for its subsidiary entities. The performance obligations are typically satisfied over the year.

f) Net operating expenses

Operating expenses, which include administrative expenses, are recognised on an accruals basis as incurred.

g) Interest payable

Interest payable is recognised on an accruals basis.

h) Income tax

Current income tax is based on taxable profits or losses for the year, after any adjustments made in respect of prior years.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute current income tax amounts are those that are enacted by the statement of financial position date.

i) Investment in subsidiary undertakings

Shares in subsidiary undertakings are recognised at cost less accumulated impairment loss.

j) Financial investments

Financial investments are classified at fair value through profit or loss upon initial recognition under the fair value option. The Company manages its investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Purchases and sales of financial investments are accounted for at trade date, which is the date that the Company commits to purchase or sell investments, at their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial investments are measured at fair value and changes therein are recognised in profit or loss. The fair values of investments are based on quoted single prices.

Financial investments at fair value through profit or loss include Open Ended Investment Company ("OEIC") investments. The single OEIC the Company invests in employs a specific investment policy to maintain a constant net asset value, as all net income from the fund is distributed, however, any revaluation losses, if arising, would be reflected as a realised loss.

k) Receivables

Receivables are initially measured at fair value and are recognised on a trade date basis. Receivables are subsequently measured at amortised cost, by using the effective interest method, whereby the objective is to hold the receivable in order to collect contractual cash flows.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand as well as short-term deposits with a maturity of three months or less and known redemption values which are held to manage short-term operational cash requirements on origination. This defines the cash and cash equivalents used in the statement of cash flows

1. Accounting policies (cont.)

m) Share capital

Equity instruments, including ordinary and deferred shares issued by the Company are recorded at the proceeds received, net of direct issue costs. In comparison to ordinary shares, deferred shares have reduced rights and restrictions applying as detailed in the Company's Memorandum and Articles of Association.

n) Shareholder debt

Shareholder debt is initially recognised at fair value, less issue costs where applicable. After initial recognition, the interest received on the shareholder debt is accrued in accordance with the terms of the loan agreement and is measured at fair value. Accrued interest that is unsettled is capitalised on an annual basis.

o) Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2. Adoption of new and revised Standards

New and revised Standards that have not been adopted by the Company

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- **IFRS 17 – Insurance Contracts (effective 1 January 2023, not yet endorsed)**

IFRS 17 replaces IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. No impact is expected to arise from adopting IFRS 17 as no insurance contracts are held by the Company.

- **IFRS 3 - Business Combinations (effective 1 January 2020, not yet endorsed)**

In October 2018, the IASB issued amendments to IFRS 3, Business Combinations. The amendments provide additional guidance as to whether a company acquired a business or a group of assets. Adoption of IFRS 3 would not have had an impact on the Company's financial statements, as the Company did not make any acquisitions in scope of IFRS 3 in the year.

- **IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020, not yet endorsed)**

In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. An assessment of the amendments to IAS 1 and IAS 8, principally over the definition of material, is not expected to have a significant impact to the Company's financial statements.

- **IAS 39 – Financial Instruments: Recognition and Measurement (effective 1 January 2020, endorsed)**

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the

2. Adoption of new and revised Standards (cont.)

hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. IAS 39 does not have an impact on the Company's financial statements as IFRS 9 is adopted.

In the current year, the following new and revised standards and interpretations have been adopted:

- **IFRS 16 – Leases**

IFRS 16 has replaced IAS 17 Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. IFRS 16 removes the distinction between operating and finance leases, with assets and liabilities recognised in respect of all leases. No impact arose from adopting IFRS 16 as the Company does not have any leases.

- **IAS 28 – Investments in Associates and Joint Ventures**

In October 2017, the IASB issued amendments to IAS 28, Investments in Associates and Joint Ventures. The amendments clarify that a company is to account for long-term interests in an associate or joint venture using IFRS 9, Financial Instruments when the equity method is not applied. Adoption of these amendments did not have an impact on the Company's financial statements as no associates or joint ventures are held.

- **IAS 19 – Employee Benefits**

In February 2018, the IASB issued amendments to IAS 19, Employee Benefits. The amendments clarify that updated actuarial assumptions are to be used in accounting for when a plan amendment, curtailment or settlement occurs. Adoption of these amendments did not have an impact on the Company's financial statements as no employee benefit schemes in scope of IAS 19 are held.

- **IFRS 3 - Business Combinations and IFRS 11 – Joint Arrangements**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. Adoption of these amendments did not have an impact on the Company's financial statements as no joint operations are held.

- **IAS 12 – Income Taxes**

The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. Adoption of these amendments did not have an impact on the Company's financial statements as no dividends were paid by the Company.

- **IAS 23 – Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. Adoption of these amendments did not have an impact on the Company's financial statements as no borrowing is in place that specifically relates to assets held for sale.

- **IFRIC 23 - Uncertainty over Income Tax Treatments**

IFRIC 23 addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. Adoption of this standard did not have an impact on the Company's financial statements as there were no uncertainties over income tax.

3. Investment income

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Debt interest income	6,061	5,513
Dividend income	2,000	2,000
OEICs	5	5
Deposit interest	6	-
Total	**8,072**	**7,518**

The debt interest income receivable by the company increased by £0.5m compared to the prior year. This was due to interest accruing at a rate of 10% per annum on a higher opening debt value due to the Company from MGM Advantage Life Limited. The perpetual debt of MGM Advantage Life Limited increased in value from £60.6m (1 January 2019) to £66.7m (1 January 2020) as a result of the annual capitalisation of interest, excluding debt issuance costs.

Dividend income of £2m was received from the Company's subsidiary, Stonehaven UK Ltd, during the year.

4. Other income

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Management service fee income	1,600	2,600
Total	**1,600**	**2,600**

5. Net operating expenses

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Legal and professional fees	(35)	(28)
Other fees and consultancy	-	(150)
Total	**(35)**	**(178)**

The statutory audit of the financial statements fee of the Company excluding VAT was £29,500 (2018: £27,600), no non-audit service fees were incurred by the Company. This amount is included in the net operating expenses of the Company.

During 2019 the directors of the Company had their remuneration paid by CLFIS (U.K.) Limited and MGM Advantage Services Limited, fellow subsidiaries of The Canada Life Group (U.K.) Limited. It is not considered practicable to apportion their emoluments between their services as directors of the Company and their services as directors of other group undertakings, the total remuneration of the Company's Directors' are contained within the financial statements of MGM Advantage Services Limited.

6. Interest payable

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Interest accrued on intra-group loan	-	(7)
Interest paid on shareholder debt	(3,841)	(3,830)
Total	**(3,841)**	**(3,837)**

As the Company decided to cash settle interest payable to The Canada Life Group (U.K.) Limited before 31 December 2019, it was able to take advantage of paying the lower rate of interest of 4.9% (2018: 4.9%) on its Shareholder debt balance, as specified in its loan agreement. If the Company had decided not to cash settle all or part of the interest due, an interest rate of 8.3% (2018: 8.3%) would have otherwise applied to the unsettled portion.

7. Impairment losses

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
Impairment of investment in subsidiary undertakings	(174,294)	-
Total	**(174,294)**	**-**

The Company's investments in its subsidiaries MGM Advantage Life Limited and MGM Advantage Services Limited were written down to the net asset value of each of the subsidiaries balance sheets as at 31 December 2019, but also including the impact of the Part VII transfer of insurance business to Canada Life Limited, which took place on 1 January 2020. In respect of MGM Advantage Life Limited, the impairment adjustment made was £164.4m and in respect of MGM Advantage Services Limited, £9.9m, see note 9 for further details.

8. Income tax charge

	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
a) Current year tax charge reported in profit or loss:		
Income tax - UK corporation tax credit on profits of the year	(722)	(800)
Adjustments in respect of prior year	-	(318)
Total tax charge in the statement of profit or loss and other comprehensive income	**(722)**	**(1,118)**

b) Factors affecting the tax charge for the year:
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)

(Loss)/profit on ordinary activities before tax	(168,498)	6,103
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	32,015	(1,160)
Effects of:		
Expenses not deductible for tax purposes	-	(20)
Tax exempt intra-group dividend received	380	380
Prior year adjustment	-	(318)
Impairment of valuation of subsidiaries	(33,117)	-
Total income tax charge for the year	**(722)**	**(1,118)**

The Budget statement introduced the measure to maintain the main rate of corporation tax rate at 19% for the financial year beginning 1 April 2020. Accordingly, there will be no change to the Company's future corporation tax rate. As a result of the Budget statement announcement, there was no significant impact to the Company's income tax payable.

9. Investment in subsidiary undertakings

The closing value of investments in the principal operating subsidiary undertakings of MGM Advantage Holdings Limited were as follows:

	31 Dec 2019 £'000	31 Dec 2018 £'000
MGM Advantage Life Limited	81,900	156,236
MGM Advantage Services Limited	1,003	10,900
Stonehaven UK Ltd	8,812	8,812
Total	**91,715**	**175,948**

All of the companies are incorporated in England and Wales. The movement in the value of investment in subsidiary undertakings was as follows:

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 January	175,948	140,437
Capitalisation of debt interest receivable	6,061	5,511
Subscription to Ordinary shares and share premium	84,000	30,000
Impairment in value of subsidiary undertakings	(174,294)	-
At 31 December	**91,715**	**175,948**

9. Investment in subsidiary undertakings (cont.)

The value of the investment in MGM Advantage Life Limited was increased by the capitalisation of debt interest receivable, £6.1m, and, by the subscription to Ordinary shares and share premium of £84.0m, but then decreased by an impairment loss of £164.4m, leaving a net residual investment value carried of £81.9m. The Company's investment in MGM Advantage Services Limited was impaired by £9.9m, leaving a net residual investment value carried of £1.0m. Refer to note 7 for further details.

10. Financial investments

	31 Dec 2019 £'000	31 Dec 2018 £'000
Due in more than one year:		
Financial investments	750	101
Total	**750**	**101**

All financial investments are classified at fair value through profit and loss. In accordance with IFRS 13 - 'Fair Value measurement', financial instruments at fair value have been classified into three categories:

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

An analysis of all items of the Statement of Financial Position is set out in the table over page. Items are measured on either a recurring fair value basis, whereby the fair value measurement hierarchy is given, or they are measured at 'Other' measurement bases as disclosed within Note 1.

10. Financial investments (cont.)

As at 31 December 2019	Level 1	Level 2	Level 3	Other	Total
	Fair value measurement				
	£'000	£'000	£'000	£'000	£'000
Financial investments	750	-	-	-	750
	750	**-**	**-**	**-**	**750**
Other assets					
Investment in subsidiary undertakings	-	-	-	91,715	91,715
Cash and cash equivalents	-	-	-	84	84
	-	**-**	**-**	**91,799**	**91,799**
Total assets	**750**	**-**	**-**	**91,799**	**92,549**

As at 31 December 2019	Level 1	Level 2	Level 3	Other	Total
	Fair value measurement				
	£'000	£'000	£'000	£'000	£'000
Liabilities					
Shareholder debt	-	78,385	-	-	78,385
Income tax payable	-	-	-	1,272	1,272
Amounts due to related undertakings	-	-	-	1,522	1,522
Other payables	-	-	-	35	35
Total liabilities	**-**	**78,385**	**-**	**2,829**	**81,214**

The Company's policy is to assess pricing sources and other data feeds at the end of each reporting period.

There were no transfers between Levels 1, 2 and 3 during the year to 31 December 2019. There were no financial assets classified at Level 3 during the year to 31 December 2019.

The shareholder debt is initially recognised at fair value, less applicable issue costs. After initial recognition, the interest received on the shareholder debt is accrued in accordance with the terms of the loan agreement and is measured at fair value. Accrued interest that is unsettled is capitalised on an annual basis.

10. Financial investments (cont.)

As at 31 December 2018	Level 1	Level 2	Level 3	Other	Total
			Fair value measurement		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Financial investments	101	-	-	-	101
	101	**-**	**-**	**-**	**101**
Other assets					
Investment in subsidiary undertakings	-	-	-	175,948	175,948
Amounts due from related undertakings	-	-	-	69	69
Cash and cash equivalents	-	-	-	23	23
	-	**-**	**-**	**176,040**	**176,040**
Total assets	**101**	**-**	**-**	**176,040**	**176,141**

As at 31 December 2018	Level 1	Level 2	Level 3	Other	Total
			Fair value measurement		
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Liabilities					
Shareholder debt	-	78,385	-	-	78,385
Income tax payable	-	-	-	372	372
Amounts due to related undertakings	-	-	-	800	800
Other payables	-	-	-	29	29
Total liabilities	**-**	**78,385**	**-**	**1,201**	**79,586**

There were no transfers between Levels 1, 2 and 3 during the year to 31 December 2018. There were no financial assets classified at Level 3 during the year to 31 December 2018.

11. Related party transactions

Immediate and Ultimate parent undertaking

The Company's immediate parent undertaking is The Canada Life Group (U.K.) Limited, a company domiciled and incorporated in the United Kingdom.

The Company's ultimate parent undertaking is Power Corporation of Canada, a company that is domiciled and incorporated in Canada.

11. Related party transactions (cont.)

Subsidiary undertakings (first tier):

MGM Advantage Holdings Limited wholly owns the issued share capital of the following subsidiary undertakings:

Company	Registered Office	Country of Incorporation	Holding %
MGM Advantage Life Limited	6th Floor, 110 Cannon Street, London, EC4N 6EU	United Kingdom	100%
MGM Advantage Services Limited	6th Floor, 110 Cannon Street, London, EC4N 6EU	United Kingdom	100%
Stonehaven UK Ltd	6th Floor, 110 Cannon Street, London, EC4N 6EU	United Kingdom	100%

Subsidiary undertakings (second tier):

MGM Advantage Life Limited wholly owns the issued share capital of the following subsidiary undertakings:

Company	Registered Office	Country of Incorporation	Holding %
MGM Advantage Life Trustee Limited	6th Floor, 110 Cannon Street, London, EC4N 6EU	United Kingdom	100%
Canada Life SIPP Trustee Limited	Canada Life Place, High Street, Potters Bar, England, EN6 5BA	United Kingdom	100%

11. Related party transactions (cont.)

Transactions with related parties	Year ended 31 Dec 2019 £'000	Year ended 31 Dec 2018 £'000
MGM Advantage Life Limited:		
Management service fee	1,280	2,080
Group relief tax	145	(800)
Perpetual debt interest	6,061	5,511
Investment in share capital and share premium	(84,000)	(30,000)
	(76,514)	**(23,209)**
MGM Advantage Services Limited:		
Management service fee	240	390
Group relief tax	(52)	-
	188	**390**
Stonehaven UK Ltd:		
Management service fee	80	130
Interim dividend	2,000	2,000
Group relief tax	-	69
Loan interest	-	(6)
Loan repayment[1]	-	(525)
	2,080	**1,668**
The Canada Life Group (U.K.) Limited:		
Loan interest	(3,841)	(3,830)
Loan drawdown[1]	-	78,385
Capital Contributions	84,000	30,000
Group relief tax	(815)	-
	79,344	**104,555**
ICE Acquisitions S.à r.l.[2]:		
Loan repayment[1]	-	(78,385)
	-	**(78,385)**
Total	**5,098**	**5,019**

[1] These transactions reflect a change in liability arising from financing activities and are reported in the Statement of Cash Flows.

[2] ICE Acquisitions S.à r.l. was the Company's parent company prior to the Company's acquisition by The Canada Life Group (U.K.) Limited on 2 January 2018.

11. Related party transactions (cont.)

Year end balances with related parties	31 Dec 2019 £'000	31 Dec 2018 £'000
Due in less than one year:		
MGM Advantage Services Limited:		
Group relief tax payable	(52)	-
	(52)	**-**
MGM Advantage Life Limited:		
Group relief tax payable	(655)	(800)
	(655)	**(800)**
Stonehaven UK Ltd:		
Group relief tax recoverable	-	69
	-	**69**
The Canada Life Group (U.K.) Limited:		
Group relief tax payable	(815)	-
Shareholder debt	(78,385)	-
	(79,200)	**-**
Total due in less than one year	**(79,907)**	**(731)**
Due in more than one year:		
The Canada Life Group (U.K.) Limited:		
Shareholder debt	-	(78,385)
	-	**(78,385)**
Total due in more than one year	**-**	**(78,385)**
Total	**(79,907)**	**(79,116)**

Transactions with related parties are carried out at an arms-length basis and represent a fair allocation of cost recharging, based on the individual consumption of economic benefits, between the Company and its wholly owned subsidiaries. The amounts outstanding are unsecured and either will or may ultimately be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Directors' remuneration

The Company did not employ staff, including Directors, directly in 2019 (2018: nil), refer to Note 5 for further details.

12. Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
	£'000	£'000
Cash at bank	84	23
Total	**84**	**23**

13. Equity

	31 Dec 2019	31 Dec 2019	31 Dec 2018	31 Dec 2018
Allotted, called up and fully paid shares:	**Number of Shares (m)**	**Value (£'000)**	**Number of Shares (m)**	**Value (£'000)**
'A' Ordinary shares (nominal value of £1 each)	53.34	53,334	53.334	53,334
'B' Ordinary shares (nominal value of £1 each)	3.526	3,526	3.526	3,526
'C' Ordinary shares (nominal value of £1.46 each)	2.786	4,067	2.786	4,067
Deferred shares (nominal value of £0.01 each)	147.388	1,474	147.388	1,474
Total issued share capital		**62,401**		**62,401**
Capital contribution		114,000		30,000
Retained earnings		(165,066)		4,154
Total equity		**11,335**		**96,555**

There were no outstanding shares at the end of the year (2018: nil).

The 'A', 'B' and 'C' Ordinary shares are not restricted in respect of receiving distributions paid by the Company and are all entitled to one vote per share held, except in the case of a vote on a poll, in which case the 'C' shares would be entitled to the greater of one vote for every share held and such number of votes for every 'C' ordinary share held as shall be equal to no less than five percent of the number of votes capable of being cast by holders of all ordinary shares divided by the number of 'C' ordinary shares which are capable of being votes by the 'C' shareholder.

On a return of assets on a winding up or disposal, or reduction of capital or otherwise (other than on a redemption or purchase of shares) any assets of the company are available for distribution to the 'A', 'B' and 'C' shareholders according to the number of shares held.

The deferred shareholders are restricted to receiving payment of the amounts paid up on the deferred shares, on a winding up or other return of capital, after repayment to the Ordinary shareholders of the nominal amount paid up on the Ordinary shares held. The deferred shares do not confer on the Deferred Shareholders any entitlement to any participation in the profits or assets of the Company, they also do not have any voting rights.

Further details of the rights and restrictions appertaining to each class of share above are set out in the Company's Memorandum and Articles of Association.

The Company received a capital contribution of £84m from The Canada Life Group (U.K.) Limited during the year. The purpose of the capital contribution was to enable the Company to provide additional capital funding to its subsidiary MGM Advantage Life Limited, via share subscriptions.

14. Shareholder debt

	31 Dec 2019 £'000	31 Dec 2018 £'000
Due in more than one year:		
Shareholder debt	78,385	78,385
Total	**78,385**	**78,385**

A 5-year term loan was agreed between the Company and The Canada Life Group (U.K.) Limited on the 2 January 2018, the amount advanced as principal was £78.39m. The loan is repayable on the 1st January 2023 and no collateral has been pledged by the Company in respect of the debt. Interest accrues on the loan at a rate of 4.90% per annum assuming that portion of the interest will be settled prior to 31 December each year, otherwise the interest rate applied is 8.30% with interest capitalised and added to the loan amount. Notification needs to be made to The Canada Life Group (U.K.) Limited by 27 December of each year if the Company wants to settle all or a portion of the interest accrued during the year and pay the lower rate correspondingly. Interest accrued to the end of 31 December 2019 at the rate of 4.90% was £3.84m and this amount was settled prior to the year end.

15. Income tax payable

	31 Dec 2019 £'000	31 Dec 2018 £'000
At 1 January	372	885
Adjustment to prior year tax (see note 8)	-	318
UK corporation tax charge as recorded in the statement of profit or loss and other comprehensive income (see note 8)	722	800
UK corporation tax payment on account	900	(900)
Net intra-group tax loss claims	(722)	(731)
Total	**1,272**	**372**

All amounts presented above are expected to be paid within one year.

16. Other payables

	31 Dec 2019 £'000	31 Dec 2018 £'000
Due in less than one year:		
Accruals	35	29
Total	**35**	**29**

17. Risk management and controls

The risk management objective of the Company is to manage risks in accordance with its risk appetite and business strategy. The Company's risk management policies and the processes for identifying risks include identification and control of financial and liquidity risk, along with a lesser exposure to credit risk.

For each of the Company's risks, the Company determines its risk appetite and sets its policies accordingly. Risk owners are assigned to manage these risks and there are key process controls to identify, assess, monitor, report and mitigate these risks.

17. Risk management and controls (cont.)

The largest financial risk the Company faces is the risk of loss arising from changes in the value of the subsidiaries that the company invests into. The financial risks of these subsidiaries include: market risk; market concentration risk; credit risk; property risk; interest rate risk (including asset liability mismatch risk); liquidity risk; expense risk; operational risk; reputational risk; strategic risk; and conduct risk. These risks are managed by each of the subsidiaries in their own right.

- **Market risk**

Market risk is the risk of loss or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the level of and in the volatility of market prices of assets, liabilities and financial instruments. As the Company has only invested into one Sterling Liquidity Fund ('SLF') OEIC, which is a collection of sterling liquid funds, fluctuations and volatility of the value of this asset are immaterial and as a result, no sensitivity analysis is required to be performed.

- **Liquidity risk**

The Company's exposure to liquidity risk is the difficulty the Company could encounter in raising funds to meet its commitments or equivalently, discharge its financial obligations. The Company mitigates this exposure by monitoring its cash requirements on a daily basis to ensure it has sufficient liquidity to carry out its activities and taking relevant management action when necessary.

The table below summarises the contractual maturity profile of the liabilities of the Company.

Maturity profile of liabilities:

At 31 December 2019

	Within 1 year	1-5 years	5-10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000
Shareholder debt	-	78,385	-	-	**78,385**
Amounts due to related undertakings	1,522	-	-	-	**1,522**
Income tax payable	1,272	-	-	-	**1,272**
Other payables	35	-	-	-	**35**
Total	**2,829**	**78,385**	**-**	**-**	**81,214**

- **Credit risk**

The Company only has a relatively immaterial exposure to credit risk as it has only has a small value investment in a SLF OEIC and is exposed to credit risk from other group companies for recovery of management fees charged, expenses recharged and tax loss surrenders, although periodic settlement of intra-group balances is carried out.

Summary of principal asset bearing credit risk exposure for the Company, which are neither past due or impaired:

	31 Dec 2019	31 Dec 2018
	£'000	£'000
Financial investment (note 10)	750	101
Total	**750**	**101**

18. Post balance sheet events

One of the Company's subsidiaries, MGM Advantage Life Limited, transferred all its insurance business to Canada Life Limited ('CLL') under Part VII of the Financial Services and Markets Act 2000 on 1 January 2020, as a result the subsidiary changed its principal activity from insurer to SIPP operator and in so doing reduced its solvency capital requirements (unaudited) and balance sheet net asset value. The outlook of MGM Advantage Services correspondingly changed such that its capacity to generate revenue from service fees associated with policy administration diminished.

The ongoing coronavirus pandemic (COVID-19) is an emerging risk to which the Company is exposed. The Company is monitoring the situation closely and has made preparations to ensure that it will continue to operate effectively and ensure the safety and well-being of customers, employees and wider communities. Service continuity plans are in operation, with employees working remotely to maintain service to customers. The Company continues to review service standards and hold regular communication with outsource providers, their response to the pandemic has been robust and highly collaborative and they continue to provide full services to our customers.

The outbreak is having an impact on global economies and markets to which the Company is exposed, and should this impact be sustained, or lead to adverse impacts in claims or sales of other Group companies, it could impact on the Company's performance. These impacts will depend on future developments, which are highly uncertain and the ability of other Group companies to pay management recharges or dividends. However, with plans in place to liquidate the Company in the future this is not expected to have a significant impact on the Company. The Company has robust governance structures and processes in place which support continuous monitoring of the Company's financial position based on up to date market information. The COVID-19 outbreak is considered to be a non-adjusting post balance sheet event under IAS 10 – Events After the Reporting Period.

19. Ultimate parent company

At the balance sheet date, the immediate parent company of the Company is The Canada Life Group (U.K.) Limited, a company incorporated in the United Kingdom. The ultimate parent company, which is also the parent company of the largest group of companies for which consolidated financial statements are drawn up and of which the Company is a member, is Power Corporation of Canada, a company incorporated in Canada. The parent company of the smallest group for which consolidated financial statements are drawn up and of which the Company is a member, is The Canada Life Assurance Company, a company incorporated in Canada.

Copies of the group financial statements for both The Canada Life Assurance Company (330 University Avenue, Toronto, Ontario, Canada, M5G 1R8) and Power Corporation of Canada (751 Victoria Square Montréal, Québec, Canada, H2Y 2J3) can be obtained from the respective companies' registered offices.