PHOENIX UNIT TRUST MANAGERS LIMITED

Company Registration Number: 3588031

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023

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Strategic report

The Directors present the Strategic report, their Report and the financial statements of Phoenix Unit Trust Managers Limited ("the Company") for the year ended 31 December 2023.

The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Business review

Principal activities
The principal activity of the Company is that of managing Authorised Contractual Schemes ("ACS") and unit trusts ("UTs"). This will continue to be the principal activity for the foreseeable future. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Strategy
The Company is a member of the Phoenix Group ("the Group"). The Group is the UK's largest long-term savings and retirement business. The main focus has traditionally been on closed life fund consolidation, and the Group specialises in the acquisition and management of closed life insurance and pension funds. Alongside this, the Group has open business which manufactures and underwrites new products and policies to support people saving for their futures. The Phoenix Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, enabling improved outcomes for customers and to deliver value for shareholders. The Company supports this strategy by managing the Group's ACS and UTs.

Corporate activity
The Company launched a new multi manger Fund by rationalising existing Funds to enhance the operational efficiency and provide a standardised fund solution to our investor base.

No dividends were paid during the year (2022: £nil).

Future developments
The Company has plans to launch new funds in 2024 to diversify and improve its asset management offering.

In addition, the Company plans to further increase Assets Under Management ("AUM") during 2024 through the transfer and collectivisation of funds from elsewhere within Phoenix Group.

Climate change: activity in the year and future developments
Climate change is one of the greatest global challenges faced today. As a purpose-led organisation, the Group believes that it has a responsibility to society to help address the climate emergency and play a leading role in supporting the transition to a net zero economy for the benefit of all its stakeholders. That is why the Group have committed to being net zero by 2050 across its investment portfolio, operations and supply chain, with stretching interim targets set for 2025 and 2030 to ensure that it remains on track. The Groups climate ambition is to optimise value for its customers and play a key role in delivering a net zero economy.

In May 2023 the Group published its inaugural Net Zero Transition Plan which marked an important step in its journey towards net zero. It outlines the actions being undertaken to become net zero by 2050 and to achieve its interim targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in its plan. The Company supports the Group view on climate having undertaken the first Taskforce for Climate related Financial Disclosure ("TCFD") entity climate report under the FCA Environmental, Social & Governance ("ESG") Sourcebook for the year ending 31 December 2022, released in June 2023. The Company continues to build on the publicly disclosed climate metrics from first year reporting and will disclose its second year of climate reporting by the end of June 2024. During 2023, the Group also became a signatory to the UK Stewardship code and published its inaugural Stewardship Report. This report expands on climate change and looks to provide greater clarity on the Group's position towards ESG emerging themes.

In parallel with the Group's work to address climate change, the Group is on a journey to improve its understanding of its exposure to nature-related impacts, dependencies and risks, and to identify possible investment opportunities. The Group recognises that managing nature risk and opportunity is critical in ensuring its long-term sustainability as a business, and serving the best interests of its customers. In May 2023 the Group signed the Finance for Biodiversity Pledge and Foundation, which includes five commitments for signatories: collaboration and knowledge sharing, engaging with companies, assessing impact, setting targets and reporting publicly. The Group also joined Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

The Company continues to disclose in line with the strategy, risk management, and governance framework set by the Group to ensure it can contribute and help support the Group to meet its Climate and Sustainability targets. More information can be found in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Key Performance Indicators ("KPIs")

The results of the Company for the year are shown in the Statement of comprehensive income on page 16.
The Company's performance is measured and monitored by the Board, with particular regard paid to the following KPIs**:**

Profit before tax

The Company reported a profit before tax of £1,527k (2022: £861k).

Regulatory capital

The Company operates under the regulation of the FCA. The Company regularly reviews and forecasts its adjusted net asset position for regulatory capital adequacy purposes as determined by Chapter 11 of IPRU (INV). At 31 December 2023, it had an excess over its regulatory capital requirement of £11,640k (2022: £10,265k). Note 15 discusses the Company's capital management policy.

Box management

The Company operates a zero box for all its funds. There was no box profit or loss for the current or previous year.

Directors' duties under section 172 of the Companies Act

Section 172 of the Companies Act 2006 (the "Act") requires each director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, each director must have regard, amongst other matters, to the:

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

As the Company is a member of the Phoenix Group, it contributes towards the Group's wider purpose, values and strategic priorities. During the year, the Directors of the Company have applied section 172 of the Act in a manner consistent with those strategic priorities whilst having due regard to the Company's ongoing regulatory responsibilities as a financial services business. To support the fulfilment of the Directors' duties outlined above, each paper prepared for consideration by the Board contains an analysis of the potential impact of proposals to be considered by the Board in light of the factors contained in section 172.

The Board recognises that the Company's stakeholders are integral to its success. During the year, the Board ensured that its considerations and decision making processes took into account their impact on its own stakeholders. The key stakeholder groups of the Company and its relationships with each are as follows:

- The Company's customers on behalf of whom it manages unit trusts, including its parent and other Life Companies within the Group;
- Employees engaged by the Company via service companies within the Group;
- Its regulator, the Financial Conduct Authority;
- Its asset managers, transfer agents and other service providers; and
- The Company's immediate parent, Phoenix Life Limited and ultimate parent, Phoenix Group Holdings plc.

Phoenix Group strategic priorities (as supported by the Company) - key		
Optimise our in-force business	Grow organically and through mergers & acquisitions	Enhance our operating model and culture

Key stakeholder groups

Customers	Suppliers	Colleagues
Our customers are a combination of directly invested individuals and life companies within the Group, on behalf of whom the Company manages a range of unit trusts. The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.	We depend on our outsourced service providers ("OSP's"), which include our investment managers, to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our suppliers is core to the Group achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.
Link to strategic priorities		
How has the Board has engaged with and had oversight of stakeholder views during the year?		
The Board sought to understand whether customer needs were being met through consideration of regular reporting on assessments of value and the outcome of any identified breaches. The Board received regular updates from management on collectivisation activity, designed to streamline and improve outcomes for customers.	The Board received regular reports from management on ongoing investment manager oversight and associated due diligence activity. Relationships with outsourced service providers were monitored via regular oversight updates to the Board.	The Board received relevant information about colleague-related matters throughout the year via the regular operational updates provided by management. One such example was recruitment of additional headcount to support delivery of the Company's change and business as usual activity within its target operating model, as identified in the Company's strategy for the year.
The Board's role in promoting positive stakeholder relationships		
The Board holds management to account throughout the year, ensuring due care and attention is given to customer outcomes and needs.	The Board monitors the performance of its OSPs to ensure the Company is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with OSPs are vital to the success of both parties.	The Group board is responsible for setting cultural tone for all Group colleagues. However, the Company Board receives information about colleague-related matters, where relevant to the Company, in recognition of their role in the ongoing success of the Company.

Key stakeholder groups continued

Community	Investors	Government, trade bodies & regulators
The most significant way in which we impact the community is through the investment decisions we make. The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.	Our sole shareholder is Phoenix Life Limited ("PLL"). As a Phoenix Group company, our ultimate shareholder is Phoenix Group Holdings plc ("PGH"). The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the FCA. The Board acknowledges the importance of maintaining positive relationships with the Company's regulator to enable good outcomes for its customers.

Link to strategic priorities		
How has the Board has engaged with and had oversight of stakeholder views during the year?		
The Board received regular updates on developments relating to TCFD Entity and Product Reporting (PS21/24) and Sustainability Disclosure Requirements (CP22/20). The Board produced its first Climate Report in accordance with TCFD recommendations in June 2023.	The governance framework within which the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Group. Three members of the Board are also directors of PLL, which strengthens the link between the Company and its parent. The Company provides regular updates to the PLL Board to strengthen this link further.	The Board received updates on regulatory matters, including any feedback received from its regulators. One such example was the outcome of the FCA's latest review of Authorised Fund Managers' Assessment of Value. At the request of the regulator, certain Board directors may be required to meet on a formal basis. The Board receives regular Regulatory Reports, outlining key developments and matters to the extent they are relevant to the Company.
The Board's role in promoting positive stakeholder relationships		
The Board, monitors investment performance against agreed strategy within the wider parameters of the Group's Sustainability Strategy.	The Board maintains strong links with its parent, PLL, through regular reporting and interaction with the PLL Board.	As the guardian of the Company, (ensuring robust governance, controls and risk management) the Board is responsible for holding management to account for day-to-day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in Phoenix.

Key board decisions

The pages that follow contain examples of key decisions of the Board, their alignment to the Group's strategy, how the Board reached its decision (including consideration of matters set out in section 172; the interests of stakeholders; related risks and opportunities; and challenges it faced) and the outcome of those considerations. The examples shown are provided to demonstrate how the Directors of the Company have carried out their duties under section 172 of the Act.

Example key Board decision	**YE22 Annual Accounts**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. The Board considered supporting paperwork presented by the Financial Reporting team, together with the outcome of an external audit for the accounts, including assessments relating to the impact of market uncertainty. Such consideration enabled the Board to reach a decision to approve the YE22 accounts, within which a going concern statement was included.
Outcome	Following due consideration of the matters set out in section 172, and in particular the likely consequences of any decisions in the long term and the desire for the Company to maintain a reputation for high standards of business conduct, the Board approved the YE22 accounts.

Example key Board decision	Fund management change for US equities strategy
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters The Board considered a proposal to change the US equities strategy from active to passive management for a particular fund managed by the Company. In reviewing the proposal, the Board noted that the change aligned to the previously agreed long term objective of transitioning all US equity assets to passive management, unless there were specific customer expectations set for active management. The Board noted that the proposed change to the US equities strategy from active management to passive management would improve returns for wider Phoenix customers and reduce fees, consistent with the Group's objectives of achieving good customer outcomes and improving efficiencies. The Board also recognised that there would be no impact on retail investors as there were no such investors in this fund.
Outcome	Having considered the matters set out in section 172, the Board approved the proposed move to a passive strategy for the PUTM ACS Lothian North America Equity Fund and its subsequent merger into the PUTM ACS North American Fund to improve operational efficiencies.

Example key Board decision	Sustainable Multi Asset ("SMA") Credit Benchmark Proposal
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters The Board reviewed a proposal to adopt new benchmarking for SMA Credit, designed to better manage investment risks and formalise investment and sustainability objectives. It noted that the proposed benchmarking had been subject to internal and external stakeholder scrutiny, where a clear preference for alignment with the existing SMA Equity benchmark design had been indicated. In terms of maintaining high standards of business conduct, the proposal reflected MSCI Paris Aligned Benchmark methodology. The Board identified which of its stakeholders would be impacted should the new benchmark proposal be approved. It noted that the proposal was designed to ultimately meet Group customer demand in the marketplace and provide good investment outcomes to those customers by managing some sustainability-related risks. Further, the Company would need to engage with its regulator, the Financial Conduct Authority, to seek reapproval of its funds.
Outcome	Having given careful consideration to its duties under section 172, the Board approved the proposed credit benchmarks for SMA and Company fund name changes as required.

Example key Board decision	Task Force for Climate-Related Financial Disclosures (TCFD) Reporting
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters As part of maintaining a reputation for high standards of business conduct, the Board reviewed the Company's first report under the FCA's Policy Statement 21/24 (Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers), within the scope of which the Company was now determined to fall. Prior to finalisation of the report, the Board satisfied itself as to the calculation and validation of key metrics and noted that the report was designed to align to Group climate reporting. In recognition of customer needs relating to report interpretation, the Board received confirmation that a customer education document was to be produced and published alongside the report. Further, it was recognised that whilst the report could be used in standalone format, it contained links to the Group Climate Report to allow customers to learn more about Group-wide strategy if they wished to do so.
Outcome	Having considered the matters set out in section 172, the Board approved the Company's first TCFD report, which was subsequently published on the Company's website, alongside associated customer guidance material.

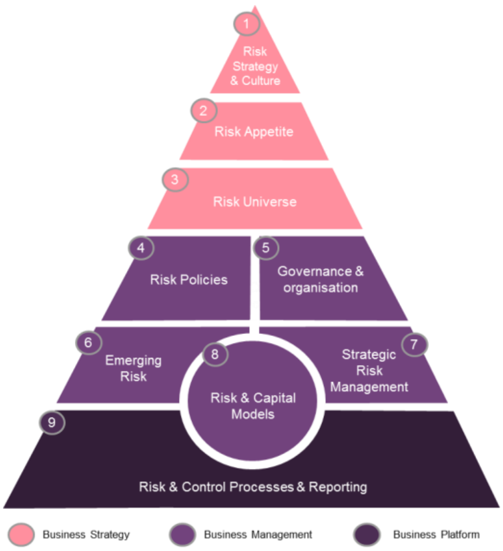
Business relationships with customers
Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

Business relationships with Partners/Suppliers
The Service Companies within the Group are the principal leads on maintaining relationships with suppliers with respect to their contractual obligations. In accordance with the PRA's Supervisory Statement 'SS2/21', the Company's Board, as part of the collective Life Companies' Board, has oversight of the relationship with OSPs with respect to their delivery of services to customers. The Life Companies' Board's schedule of matters reserved includes the responsibility for monitoring the performance of management service provider contracts (including services contracted with OSPs).

Risk management Framework

The Company adopts the Group's Risk Management Framework ("RMF"). The Group's RMF embeds proactive and effective risk management. It seeks to ensure that all material risks are identified, assessed, controlled monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group's RMF is aligned to the principles and guidance in ISO 31000 Risk Management standards.

The nine components of the RMF are illustrated in the diagram below. Further details on each component are outlined in the Strategic report of the Group's Annual Report and Accounts 2023.



Risk Environment

The Company continues to operate in a volatile risk environment with multiple external factors requiring navigation to enable the Company to deliver on its strategic priorities.

Geopolitical risk remains most prominent. Tensions in the Middle East have escalated and whilst the Group has low exposure to assets heavily influenced by the price of gas and oil it is closely monitoring impacts to inflation or interest rates which may occur from disruption to Red Sea shipping. The Group's Stress and Scenario testing programme continues to consider a range of adverse circumstances to help the Group determine any actions needed to respond to economic pressures.

The regulatory change agenda continues to have potentially significant implications for the Group achieving its strategic priorities. Progressing key tasks on the implementation plan for the FCA's New Consumer Duty is key area of focus, well aligned to Group's purpose of helping customers achieve a life of possibilities. The Group supports the Sustainability Disclosure Requirements and investment labelling requirements, and the Group has mobilised a project to ensure its practices align within the new regulations. Additionally, work is underway to provide a response to the FCA following the Advice Guidance Boundary Review consultation paper. The Group recognises the importance of this review, which aligns well to the Group's purpose and strategy.

The Group continues to monitor developments across the political environment and to engage with political parties, regulators and industry bodies on reforms which could help people live better, longer lives. The Group remains alert to the risk of cyber-attack which could impact the Group or its strategic partners directly, or indirectly via impact to customers and colleagues should state infrastructure be targeted.

The Group continues to support customers on their journey to and through retirement and places significant focus on monitoring and managing sustainability risks, including climate change, to ensure ongoing resilience over the long-term to such risks.

Principal risks and uncertainties

The key operational and financial risks that the Company is exposed to are liquidity risk, legislative and regulatory risk, credit risk and operational risk (including risk of outsourcer failure). These risks are discussed within note 18 of the financial statements.

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the FCA. The Capital Management Framework is detailed in note 15.

On behalf of the Board

DocuSigned by:

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C Baker
Director

24 April 2024

Directors' report

The Company is incorporated in England and Wales as a private limited company. Its registration number is 3588031 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. Its principal place of business is the United Kingdom.

Going concern

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, it discusses the principal risks and uncertainties it faces. Notes 15 and 18 to the financial statements summarise the Company's capital management and risk management objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's "*Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)*" when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared profitability, cash flow and solvency forecasts for the Company for the period to 30 June 2025.

Scenarios considered include an immediate decrease in funds under management ("FUM") by £30bn (44%), with no recovery or additional FUM received over the going concern period, a doubling of non-passthrough operating expenses and the removal of the cap on the regulatory capital requirement. Each of these scenarios is considered to be highly unlikely.

The Company would continue to hold excess capital over the FCA requirement in each of these scenarios until the end of the going concern period. It would hold excess capital over its capital management policy in all scenarios other than the removal of the regulatory capital cap. In this scenario it is regulatory practice for there to be a transitional period and during this period the Company would have time to implement identified contingency actions to repair the breach.

The Company has a strong liquidity position, with £38m of cash and liquidity funds at 31 December 2023, and regular reviews are undertaken to identify cash flow requirements. The cash and liquidity funds are held with financial institutions which have an investment grade rating and a positive outlook. The Company has a strong net asset and net current asset position.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence until at least 30 June 2025. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

C Baker	
I Craston	(appointed 19th September 2023)
T Harris	
F Maclachlan	(appointed 19th April 2024)
B Meaney	(resigned 19th April 2024)
N H Poyntz-Wright	

Secretary

Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

Disclosure of indemnity

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Statement on Business Relationships

Business relationships with customers

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

Business relationships with Partners/Suppliers

The Service Companies within the Group are the principal leads on maintaining relationships with suppliers. However, the Board received regular updates on the performance of investment managers and transfer agents, taking action as necessary to ensure that high standards are maintained.

Energy and carbon reporting
Energy and Carbon usage information is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on this in these individual financial statements.

Disclosure of information to auditor
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) 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 section 418(2) of the Companies Act 2006.

Future auditor appointment
Ernst & Young LLP have reached the maximum period of service for an auditor of a Public Interest Group under the mandatory auditor rotation requirements and will therefore step down as the Group's auditor on completing the audit for the year ended 31 December 2023. They will step down as auditor from all subsidiary companies of the Group, including the Company.

In accordance with section 485 of the Companies Act 2006, KPMG LLP will be appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006.

On behalf of the Board

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C Baker
Director

24 April 2024

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the Company's financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with UK adopted international accounting standards ("IAS") requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK adopted international accounting standards, 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Phoenix Unit Trust Managers Limited

Opinion

We have audited the financial statements of Phoenix Unit Trust Managers Limited for the year ended 31 December 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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 until 30 June 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and the Companies Act 2006), supervisory requirements under Financial Conduct Authority and the relevant direct tax regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption and General Data Protection Regulation.
- We understood how the Company is complying with those frameworks by making inquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established both to address risks identified and to prevent or detect fraud.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making inquiry of those charged with governance, management and internal audit for their awareness of any non-compliance of laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers, inquiring about the Company's method of enforcing and monitoring compliance with such policies and inspecting significant correspondences with the regulators.

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

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.

DocuSigned by:

Ernst & Young LLP

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Satty Khangura (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

24 April 2024

Statement of comprehensive income
for the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Revenue			
Revenue from contracts with customers	4	69,482	73,303
Net investment income	5	1,316	375
Total revenue		70,798	73,678
Operating expenses	6	(69,271)	(72,817)
Total operating expenses		(69,271)	(72,817)
Profit for the year before tax		1,527	861
Tax charge	7	(359)	(164)
Profit for the year		1,168	697
Other comprehensive income		-	-
Total comprehensive income for the year		1,168	697

Statement of financial position
as at 31 December 2023

	Notes	2023 £000	2022 £000
Assets			
Receivables	10	92,528	86,955
Collective investment schemes	11	37,341	25,362
Cash and cash equivalents	12	255	56
Total assets		130,124	112,373
Equity attributable to owners			
Share capital	13	5,000	5,000
Capital contribution reserve	14	9,500	9,500
Retained earnings		5,805	4,637
Total equity		20,305	19,137
Liabilities			
Accruals		804	570
Payables	16	109,015	92,666
Total liabilities		109,819	93,236
Total equity & liabilities		130,124	112,373

On behalf of the Board

C Baker
Director
24 April 2024

Statement of changes in equity
for the year ended 31 December 2023

	Share capital (note 13) £000	Capital contribution reserve (note 14) £000	Retained earnings £000	Total £000
At 1 January 2023	5,000	9,500	4,637	19,137
Profit for the year	-	-	1,168	1,168
Total comprehensive income for the year	-	-	1,168	1,168
At 31 December 2023	5,000	9,500	5,805	20,305
At 1 January 2022	5,000	9,500	3,940	18,440
Profit for the year	-	-	697	697
Total comprehensive income for the year	-	-	697	697
At 31 December 2022	5,000	9,500	4,637	19,137

Of the above, £15,305k (2022: £14,137k) is considered distributable.

Statement of cash flows
for the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Cash generated / (absorbed) by operations	17	199	28
Net cash flows from operating activities		199	28
Net increase / (decrease) in cash and cash equivalents		199	28
Cash and cash equivalents at the beginning of the year		56	28
Cash and cash equivalents at the end of the year	12	255	56

Notes to the financial statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 16 to 30, were authorised by the Board of Directors for issue on 23 April 2024.

The financial statements have been prepared on a historical cost basis except for those financial assets and liabilities that have been measured at fair value.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

The financial statements are presented in sterling (£) rounded to the nearest £000 except where otherwise stated.

The Company presents its Statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement more than twelve months after the period end is presented in the notes.

The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc, a company incorporated in England and Wales. Copies of the Phoenix Group Holdings plc consolidated financial statements can be obtained from their company website, www.thephoenixgroup.com.

Going concern
When performing their going concern assessment, the Directors considered financial projections which demonstrate the ability of the Company to withstand a range of very severe scenarios. The projections demonstrated that excess capital over the regulatory requirement would remain in the Company under all scenarios, and that liquidity was adequate to meet liabilities as they fell due over the going concern period to 30 June 2025.

Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of compliance
The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards & the Companies Act 2006 for the year ended 31 December 2023.

2. Accounting policies

(a) Critical accounting estimates and judgements
The preparation of financial statements in conformity with UK adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates relate to the recoverability of financial assets. The treatment of financial assets is set out in accounting policy (e). No significant judgements or estimates have been made in determining the financial results or financial position of the Company.

How Climate risk affects our accounting judgments and estimates
In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments.

Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

The majority of the Company's financial assets are receivables due from within the Group and are held at historical cost. The Group has considered the impact of climate change across its business and based on the results of this assessment the Company does not consider any impairment to these assets is required.

The Company's financial assets held at fair value use quoted market prices in their valuation. The use of quoted market prices and market inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk. The Company holds no financial assets which include material unobservable inputs in their valuation.

(b) Income and expense recognition

Revenue from contracts with customers
Revenue is recognised on an accruals basis and is measured at the fair value of the consideration received or receivable. Revenue represents amounts due for annual management fees charged to the funds under management less rebates payable and investment management fees. The fees are recognised over the period in which the related services are performed.

Net investment income
Net investment income comprises interest on cash and cash equivalents, dividend income and fair value gains and losses on collective investment schemes, and profit or loss on the sale of units.

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method. Dividend income is recognised as income in the statement of comprehensive income on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

Fair value gains and losses on financial assets designated at fair value through profit or loss are recognised as income or expense in the Statement of comprehensive income. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

Sale and purchase of units
The Company is an authorised Corporate Director of unit trusts. The Company acts as a principal in respect of acquisition and disposal of units in the unit trusts by the Life Companies with the trustee of these unit trusts. The acquisition of units in the unit trusts represents revenue to the Company with disposals, creations and liquidations recognised as cost of sales. The profit or loss on the sale of units represents the difference between this revenue and the associated cost of sales. All trades (and the associated profit or loss) are recognised on the trade date at the consideration receivable or payable for the settlement of the transaction.

(c) Income tax
Income tax comprises current tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in the statement of changes in equity, in which case it is recognised in this statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years.

(d) Dividends
Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they become payable.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

(e) Financial assets
Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are initially recognised at cost. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method.

Collective investment schemes
Collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies.

Impairment of financial assets
The Company assesses the expected credit losses associated with its other receivables and cash carried at amortised cost. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ("ECL"). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables and contract assets within the scope of IFRS 15, as these are always measured at an amount equal to lifetime ECLs. See note 18 for details of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs are recognised using a provision for doubtful debts account in profit and loss. For other receivables, the ECL rate is recalculated each reporting period taking into account which counterparties are included in the reporting period.

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- 12-month ECLs - Total expected credit losses that result from default events that are possible within 12 months after the reporting date.
- Lifetime ECLs - Expected credit losses that result from all possible default events over the expected life of the financial asset.

No significant changes to estimation techniques or assumptions were made during the reporting period.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(g) Share capital and capital contributions

The Company has issued ordinary shares which are classified as equity. Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the statement of changes in equity as a distributable reserve.

(h) Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

3. New and amended accounting standards

Adoption of New Accounting Pronouncements in 2023

In preparing the financial statements, the Company has adopted the following standards, interpretations and amendments effective from 1 January 2023 which have been endorsed by the UK Endorsement Board ("UKEB"):

- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgments*). The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and require an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2; and
- Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments replace the definition of a 'change in accounting estimates' with a definition of 'accounting estimates'. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the standard by including a number of clarifications.

New Accounting Pronouncements Not Yet Effective

The IASB has issued the following amendments to standards which apply from the dates shown. The Company has decided not to early adopt any of these amendments where this is permitted.

- Classification of Liabilities as Current (Amendment to IAS 1 *Presentation of Financial Statements*) (1 January 2024): The initial amendments clarify, rather than change, existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

None of the above amendments are expected to have a significant impact on the Company's financial statements or accounting policies. The amendments to standards listed above have been endorsed for use in the UK by the UKEB.

4. Revenue from contracts with customers

	2023 £000	2022 £000
Investment management fees	61,333	69,561
Performance fees	4,854	403
Management fees on unit trusts	13,057	13,520
Less: Management fee rebates	(9,989)	(10,388)
Revenue from stock lending	227	207
	69,482	73,303

Management fees, less rebates, are recognised over the time the Company provides the related investment management services. The percentage fee for management fees on unit trusts is specified in the fund prospectuses. There are no remaining performance obligations as the revenue recognised corresponds to the value to the customer.

Significant judgements are not required in determining the costs incurred to obtain or fulfil contracts with customers, and no amortisation is required, as income directly matches costs with management charges being applied on an ongoing (or pro-rata) basis.

5. Net investment income

	2023 £000	2022 £000
Sales of units	20,433,448	18,221,773
Cost of sales of units	(20,433,448)	(18,221,773)
Interest income	8	-
Dividend income	1,294	380
Fair value losses on financial instruments designated as FVTPL on initial recognition	14	(5)
	1,316	375

6. Operating expenses

	2023 £000	2022 £000
Investment management fees	61,333	69,561
Performance fees	4,854	403
Fund administration fees	2,054	1,918
Other administrative expenses	1,030	935
	69,271	72,817

Employee costs
The Company has no employees. Administrative services are provided by Phoenix Group Management Services Limited ("PGMS"), a fellow group company.

7. Tax charge

	2023	2022
	£000	£000
Current tax:		
UK Corporation tax for the current year	359	164
Total tax charge	359	164

Reconciliation of tax charge

Profit before tax	1,527	861
Tax at standard UK rate of 23.5% (2022: 19%)	359	164
Total tax charge for the year	359	164

The UK corporation tax rate has increased from 19% to 25% with effect from 1 April 2023. Accordingly, a hybrid date of 23.5% is applied for 2023. No deferred tax assets or liabilities are recognised at 31 December 2023.

8. Directors' remuneration

	2023	2022
	£000	£000
Remuneration (excluding pension contributions, awards under share option schemes and other long-term incentive schemes)	113	99
Share option schemes and other long-term benefits	39	57
Contributions to money purchase pension schemes	1	1
	153	157

	2023	2022
	Number	Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	2	2
Number of Directors who had exercised share options during the year	1	2

The Directors are employed by fellow Group companies. For the purposes of this note, an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

9. Auditor's remuneration

During the financial year ended 31 December 2023, Ernst & Young LLP acted as the Company's external auditor.

In 2023 auditors' remuneration amounted to £75k (2022: £70k) in respect of the audit of the Company's financial statements. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Phoenix Group Holdings plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

10. Receivables

	2023	2022
	£000	£000
Amounts due from related parties		
Management fee income receivable	2,186	4,400
Amounts receivable in respect of settlement of units in underlying funds	27,242	9,303
Other amounts due from Group companies	62,789	73,000
Amounts due from third parties		
Prepayments	107	70
Trade receivables	-	39
Accrued income	183	62
Other	21	81
	92,528	86,955
Amount recoverable after 12 months	2,570	2,258

11. Collective investment schemes

	2023	2022
	£000	£000
Liquidity funds	37,341	25,362

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

The Company has determined that its investments in Collective investment schemes as presented on the face of the Statement of Financial Position are structured entities. These investments are in liquidity funds (specifically a Short Term Variable Net Asset Value Money Market fund) which is held for the purpose of managing liquidity and is managed together with the Company's cash and cash equivalents.

The Company's holdings in these investments are subject to the terms and conditions of the fund's prospectus and are susceptible to market price risk arising from uncertainties about future values. The Company can withdraw assets from the fund at any time on a T+0 basis. The assets of the fund are invested with the aim to preserve capital whilst providing a return in line with prevailing short term money market interest rates by investing in assets that can be readily purchased and sold in normal market conditions, thus maintaining a high degree of liquidity.

The fund is managed by abrdn. The fund manager is compensated by the fund for their services. Such compensation is calculated as a percentage of the Net Asset Value of the fund and is reflected in the valuation of the fund.

The Company has not provided any non-contractual financial or other support to any structured entities and there are no current intentions to do so.

The Company's maximum exposure to loss to the interests presented above is the carrying amount of the Company's investments. Once the Company has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund.

Fair value methodology

The Company's interests in collective investment schemes are held at fair value through profit or loss in accordance with accounting policy (e). Any change in fair value is included in the Statement of comprehensive income in 'Net investment income'.

The fair value of collective investment schemes is measured by reference to published bid prices. These instruments are generally considered to be quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

All the Company's collective investment schemes have been valued using standard market pricing sources.

12. Cash and cash equivalents

	2023 £000	2022 £000
Bank and cash balances	255	56
	255	56

The carrying amounts of cash and cash equivalents are not materially different from their fair values at the year end. There is £42k (2022: £42k) of cash held in Client Money accounts that does not belong to the Company and therefore is not recognised on the Company's balance sheet.

13. Share capital

	2023 £000	2022 £000
Issued and fully paid: 5,000,000 ordinary shares of £1 each	5,000	5,000

The holder of each ordinary share is entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors at its discretion out of distributable profits.

14. Capital contribution reserve

	2023 £000	2022 £000
At 1 January	9,500	9,500
At 31 December	9,500	9,500

15. Capital management

The Company's capital resources comprise share capital and reserves and are shown below. Positive movement during the year comprises the total comprehensive income for the year of £1,168k (2022: £697k).

The Company's capital resources are monitored by the Directors and managed on an on-going basis. The Directors are responsible for ensuring that the Company maintains an appropriate level of capital resources to enable it to meet liabilities arising from reasonably foreseeable extreme events. The Company has implemented a system of regular reviews to monitor the level of capital resources in the short to medium term taking account of anticipated future developments.

As an 'Undertakings for Collective Investments in Transferable Securities (UCITS)' investment firm, the Company is subject to regulation by the FCA and must maintain sufficient capital resources to meet its regulatory capital requirement. The Company maintained sufficient capital to cover its regulatory capital requirement at both 31 December 2023 and 31 December 2022, and throughout both the current and prior years.

	2023 £000	2022 £000
Total available capital	20,305	19,137
Less: FCA capital requirement	(8,665)	(8,872)
Excess over FCA requirement	11,640	10,265

16. Payables

	2023 £000	2022 £000
Amounts due to Group companies		
Amounts payable in respect of settlement of units in underlying funds	68,435	49,942
Other amounts payable	1,853	1,376
Amounts due to third parties		
Investment management fees payable	31,846	35,787
Performance fees payable	6,868	5,558
VAT creditor	13	3
	109,015	92,666
Amounts due for settlement after 12 months	2,570	2,258

17. Cash flows

Cash flows from operating activities	2023 £000	2022 £000
Profit for the year before tax	1,527	861
Add back non-cash movement in profit for the year before tax		
Fair value losses on collective investment schemes	(14)	5
Changes in operating assets and liabilities		
Change in receivables	(5,573)	(35,383)
Change in collective investment schemes	(11,965)	12,603
Change in accruals and payables	16,224	21,942
Cash generated from operations	199	28
Supplementary disclosures on cash flows from operating activities		
Interest received	8	-
Dividends received	1,294	380

The cash flow has been prepared using the indirect method.

18. Risk management

The Phoenix Group RMF sets out the high level arrangements for risk management, control and assurance within Phoenix Group and its subsidiaries. It is designed to provide a structured approach for identifying, assessing, controlling and monitoring financial and non-financial risks within Phoenix Group companies, which includes the Company. The Company is not expected to be directly exposed to any market risk, as it does not hold any surplus units in the Funds as a principle in the ordinary course of business.

Liquidity risk

The Company has exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements and this is monitored on an ongoing basis.

Key components of the monitoring framework include daily monitoring of cash flows and regular reviews to identify cash flow requirements.

The Company's liquidity risk continues to be de-minimis, since the Company hold its funds in highly liquid, readily available liquidity funds which are exposed to only a minimal risk of change in value (see sensitivity below).

The Company's liabilities at 31 December 2023 and 31 December 2022 were all repayable on demand for a consideration equivalent to the carrying value disclosed in the statement of financial position, other than those liabilities due after 12 months as disclosed in note 16. Those liabilities due after 12 months are due over a period from 2 to 4 years from the balance sheet date, and at each due date there is a receivable due in the same amount.

Legislative and regulatory risk
The Company is subject to regulation by the FCA. The FCA has broad regulatory powers dealing with all aspects of financial services including, amongst other things, the authority to grant and, in specific circumstances, to vary or cancel permissions to carry out particular activities. The Group has processes in place to keep up to date with latest FCA guidelines and regulation. The Group is also responsible for treating its customers fairly and adheres to FCA guidelines in respect of this.

On 27 July 2022 FCA has published the final rules of Consumer Duty, giving a higher level of protection to consumers. The Consumer Duty aims to drive culture change and instil consumer trust, an aim welcomed by the Group and the Company. An internal project has been initiated to deliver the changes.

There is uncertainty over the future of regulation as financial services regulation is being consulted on by HM Treasury, which aims to establish how much rule-making power will pass from legislation to the UK's regulators (the 'Future Regulatory Framework' review).

Operational risk
The Group has established an Operational Resilience Framework, which applies to the Company. This identifies important business services, accountability, sets tolerances for disruption and describes the processes that will deliver the required level of resilience. This enhances the protection of our customers and stakeholders, preventing intolerable harm and supports compliance with the regulations. The Company works closely with its outsourcers to ensure that the level of resilience delivered is aligned to the Company's impact tolerances.

The Company and its outsourcers have well established business continuity management and disaster recovery frameworks that are subject to an annual refresh and regular testing.

The Company carries the risk that the OSPs used by the Company will no longer be able to provide the agreed services at an agreed cost and under the agreed timeframe. The Company manages this risk through established governance and relationship meetings together with regular updates from key OSPs on their business continuity arrangements.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. These obligations can relate to both recognised and unrecognised assets and liabilities.

Credit risk management practices
The Company's credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising ECL**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition, indicated by an increase in past-due amounts	Lifetime ECL (not credit impaired)
In default	There is evidence indicating the asset is credit-impaired, indicated by an increase in past-due amounts over 6 months old and increased counterparty risk by adverse changes in their credit ratings.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The table below details the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades.

Financial assets	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount £000	Loss allowance £000	Net carrying amount £000
Intercompany receivables	N/A	Performing	12 month ECL	91,742	-	91,742
Other receivables	N/A	Performing	12 month ECL	21	-	21
Cash and cash equivalents	BBB	N/A	12 month ECL	2	-	2
Cash and cash equivalents	A+	N/A	12 month ECL	253	-	253
Collective investment schemes	AAA	N/A	12 month ECL	37,341	-	37,341

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort to assess whether there has been a significant increase in risk since initial recognition. This includes quantitative and qualitative information and also forward-looking analysis.

Intercompany receivables (note 10) – The credit risk from activities undertaken in the normal course of business is considered to be extremely low risk. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing past credit impairments, history of defaults and the long term stability of the Phoenix Group.

Trade receivables (note 10) and Other receivables (note 10) - The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty including historical loss experiences and current market conditions. For each new counterparty, the Company also analyses the creditworthiness before the Company's standard payment terms and conditions are offered. The Company also reviews external ratings, if they are available, and financial statements.

Cash and cash equivalents (note 12) - The Company's cash and cash equivalents are held with financial institutions which have an investment grade rating and a stable outlook, as given by ratings agencies and published on each counterparty's website. The Company therefore considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparties and there being no history of default.

Collective investment schemes (note 11) - The Company's collective investment schemes represent investments in a fund which has an investment grade rating, as given by ratings agencies and published on the counterparty website. The Company therefore considers that its collective investment schemes have low credit risk based on the external credit rating of the counterparty and there being no history of default.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Sensitivity analysis

The Company is exposed to market risk in respect of its holdings in collective investment schemes (note 11). The table that follows illustrate the sensitivity of profit after tax and equity to reasonably possible variations in the unit price at the reporting date.

	2023	2022
	Effect on profit after tax and equity £000	Effect on profit after tax and equity £000
0.20% increase in unit price	75	51
0.20% decrease in unit price	(75)	(51)

19. Related party transactions

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms.

	2023 £000	2022 £000
Revenue recognised from related parties		
From parent company:		
Investment management and performance fees	24,015	15,807
Less: management fee rebates	(9,989)	(10,388)
From fellow group companies:		
Investment management and performance fees	41,679	54,100
Management fees from unit trusts	13,057	13,520
Operating costs with related parties		
Fund administration and other administration fees charged by fellow group companies	2,850	2,638
Amounts due from related parties		
Due from the parent	62,740	8,739
Due from fellow subsidiaries: other	49	64,261
Due from fellow subsidiaries: unit trusts	29,428	13,703
	92,217	86,703

	2023	2022
	£000	£000
Amounts due to related parties		
Due to the parent	28,406	7,383
Due to fellow subsidiaries: other	450	3,132
Due to fellow subsidiaries: unit trusts	41,193	40,639
Other payables - Group Relief	239	164
	70,288	51,318

Unit trusts
The unit trusts which the Company manages are fellow subsidiaries of the group, and therefore transactions with the unit trusts are disclosed above.

Investment management
The Company provides investment management services to its parent, as well as to fellow subsidiaries within the Group.

Net investment income
All of the Company's net investment income is from fellow subsidiaries of the group. Details of this income is provided in note 5.

Amounts due to and from related parties
Amounts due to and from related parties primarily relate to Unit trusts and Investment Management, other than the group relief disclosed separately above.

Dividends
No dividends were paid to the parent company during the year (2022: £nil).

Key management compensation
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 8. Other transactions are disclosed below:

	2023	2022
	£'000	£'000
Key management personnel and their close family members transactions with Pensions and Savings products sold by the Group:		
Contributions in the year	17	17
Value of investments at year end	2,915	2,688

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 20.

20. Ultimate parent and ultimate controlling party

The Company's immediate parent is Phoenix Life Limited, and its ultimate parent is Phoenix Group Holdings plc, a company incorporated in England and Wales. Copies of the Phoenix Group Holdings plc consolidated financial statements can be obtained from their company website, www.thephoenixgroup.com.