

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Company Registration Number: 03588063

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2024

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Contents	Page
Strategic report.....	2
Directors’ report.....	11
Statement of Directors’ responsibilities.....	13
Independent auditor’s report to the members of Phoenix Group Management Services Limited	14
Statement of comprehensive income.....	17
Statement of financial position - assets.....	18
Statement of financial position – equity and liabilities	19
Statement of changes in equity	20
Statement of cash flows.....	21
Notes to the financial statements.....	22

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Strategic report

The Directors present the Strategic report, the Directors' report and the financial statements of Phoenix Group Management Services Limited ("the Company") for the year ended 31 December 2024.

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, the Strategic report discusses the principal risks and uncertainties the Company faces.

The Company is incorporated in the England and Wales as a private limited company which is limited by shares. Its registration number is 03588063 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, West Midlands, B47 6WG.

The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

Business review***Principal activities***

The principal activity of the Company is the provision of management services, including governance and policy administration services, to the life assurance and group companies headed by Phoenix Group Holdings plc (the "Phoenix Group"). This will continue to be the principal activity for the foreseeable future.

The Company carries out the management services under arm's length principle, per policy based, Management Services Agreements ("MSA"). The Company has outsourced some of the services it provides under the MSAs to third parties.

The activities of another of the Phoenix group's subsidiaries, Phoenix Group CA Services Limited (previously known as SLFC Services Company (UK) Limited), was transferred to the company in the fourth quarter of 2024.

Principal risks and uncertainties

The Company is exposed to a number of risks from its provision of services to the life assurance and group companies within the Phoenix Group. The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high-level framework for the management of key risks within each business unit.

The key risks to which the Company is exposed are expense risk, liquidity risk, legislative and regulatory risk, VAT risk, credit risk, risk of outsourcer failure, operational risk, climate risk and MSA risk. Further information on risk management can be found in note 26.

Going Concern

In considering whether it is appropriate to prepare the financial statements on a going concern basis the directors have considered the expected future performance and cashflows of the business.

The Directors' going concern assessment has been performed by taking into account the impact of severe stress scenarios, including unexpected material cost increases and a reduction in income, on the Company's cashflows and net asset position. The Directors' assessment covered the period up to 30 September 2026. The liquidity assessment considered the ability to meet liabilities as they fall due under a base case and a severe stress scenario.

As a result of this review, the Directors have a reasonable expectation the net asset position of the Company would be sufficient to withstand such issues as they arise. Therefore, the Directors are satisfied that the Company has adequate resources to meet liabilities as they fall due in the period to 30 September 2026 and that it is appropriate to adopt the going concern basis of accounting in preparation for the financial statements.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Key Performance Indicators ("KPIs")

The Company's performance is measured and monitored by the Board with particular regard paid to the following KPIs:

Result before tax, result after tax and total comprehensive income

For the year ended 31 December 2024 the Company reported a profit before tax of £42.0m (2023: loss of £4.5m), a profit after tax of £28.0m (2023: loss of £5.6m) and total comprehensive income of £17.3m (2023: loss of £1.8m). The improved performance for the year is mainly due to the effect of the transfer of activities of other group companies into the company in the prior period.

Dividends

No dividends were paid in the current or preceding year.

Cash flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2024, operations generated cash of £27.8m (2023: cash absorbed of £3.1m) and cash and cash equivalents increased by £9.6m (2023: £10.2m).

Employees

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race or disability. It is the Company's policy to give positive consideration to disabled persons with respect to applications for employment, training, career development and promotion, having regards to each individual's particular aptitudes and abilities.

Climate change: activity in the year and future developments

Climate change is one of the greatest global challenges we face today and we believe the Company has a significant role to play in helping to address the climate emergency, accelerating the transition to a net zero economy and managing financial risk for our customers and shareholders. The Group aims to be a net zero business by 2050.

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.

Section 172 Statement

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.

During the year the Directors of the Company have applied Section 172 of the Act in a manner consistent with the wider Group's purpose, values and 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:

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Strategic priorities key



Optimise our in-force business (Group only)



Grow organically and through M&A



Enhance our operating model and culture

Key stakeholder groups



Customers

Our customers are primarily other entities within the Phoenix Group, to which the Company provides management services. Of these, its largest customers are the Group's life companies, meaning that policyholders within these entities are also impacted by decisions the Board makes.

The Board recognises its responsibility and duty to oversee the success of the Company for all its customers, whether direct or indirect.



Suppliers

We depend on our outsourced service providers (OSPs) to deliver the highest standards of service and continually promote good outcomes for all our customers.

As the principal lead on maintaining OSP relationships, the Board understands that the quality of relationships with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.



Colleagues

Our Group colleagues, engaged via the Company, are integral to our 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?

- In 2024, the Company transferred its lifetime mortgage customers, administered by a third party, to another entity within the Group (Standard Life Lifetime Mortgages Limited). Prior to this transfer, the Board maintained oversight of whether customer needs were being met through consideration of regular reports on the fair treatment and experience of customers
- The Board monitored risks to customers arising from business as usual, as well as the Group's strategic activity
- The Board received regular assurance as to the steps taken by the Group to detect and respond to cyber incidents that had potential to pose a threat to customers

- The Board received regular reports from management on ongoing customer service performance and outsourced service provision
- Relationships with outsourced service providers were also monitored via regular updates to the Board

- The Board monitored colleague-related matters throughout the year via regular updates provided by management
- The Board received regular updates on ongoing work relating to simplification of the Group structure which included consolidation of Group service company activity
- The Board considered the impact of the sale of Vebnet Limited on colleagues who provided administration services to that part of the business

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

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 good customer outcomes and needs.	The Board monitors the performance of its OSPs to ensure the Company, on behalf of the wider Group, 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, as the main employing entity for Group colleagues, the Company's Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Phoenix Group.

Key stakeholder groups continued		
 Community	 Investors	 Government, trade bodies & regulators
The most significant ways in which we impact the community is by operating sustainably and through the way we build relationships with differing groups, whether locally or on a wider scale. The Group encourages all colleagues to support our local communities through volunteering. The Board understands the role that a sustainable business has in building trust and inspiring confidence by developing and maintaining these relationships.	Our sole shareholder is Impala Holdings Limited. 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 Financial Conduct Authority (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 engaged with and had oversight of stakeholder views during the year?		
- The Board considered regular financial reporting prepared by management in the context of ensuring the Company's financial sustainability - The Board continued to monitor key metrics associated with the wider Group operating model evolution, designed to deliver ongoing sustainability for the future	- 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 of the Company's directors are members of the Group Executive Committee, which further strengthens the link between the Company and its ultimate parent, PGH	- The Board received updates on regulatory developments and how their impact was expected to be addressed by the business - The Board considered regular updates on the Group's preparation for the next phase of implementation of the FCA's new Consumer Duty - At the request of the regulator, Board directors will meet with representatives on a formal basis

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The Board's role in promoting positive stakeholder relationships

The Board, through regular financial reporting, monitors sustainability of the Company within the wider parameters of the Group's sustainability agenda.	The Board maintains strong links with its immediate and ultimate parents through regular reporting and interaction with the boards and committees of each and vice versa.	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.

Strategic priorities key

 Optimise our business	 in-force	 Grow organically and through M&A	 Enhance our operating model and culture
--	---	---	--

Example key Board decision	Transitional Services Agreement to support sale of the flexible benefits business, Vebnet Limited
Link to strategic priorities	How the Board reached its decision
 	Consideration of section 172 matters As part of the proposed sale of the flexible benefits business held elsewhere in the Group, the Board was asked to consider a proposal to enter into a transitional services agreement ("TSA") that would allow for certain services to be provided to the purchaser following transaction completion. In reviewing the commercial aspects of the sale, the Board acknowledged that despite a small adverse impact on the Company's profits, the transaction itself, and in turn the supporting TSA, was considered to promote the success of the Company and wider Group in terms of annualised savings over the longer-term. From a customer stakeholder perspective, the Board noted that the TSA was instrumental in protecting the client experience during the post-sale transition period, helping to minimise disruption to those clients pending migration to the purchaser's own benefits platform. The Board also noted assurances in respect of those Phoenix colleagues who would transfer to the purchaser as part of the transaction. In particular, it recognised the purchaser's previous experience of flexible benefits platform acquisition and associated employee transfers.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the Company entering into the TSA as part of the wider flexible benefits transaction.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Example key Board decision	Service Company Integration
Link to strategic priorities	How the Board reached its decision
 	Consideration of section 172 matters During the year the Board considered changes to contractual arrangements designed to support consolidation of the business and assets of another Group service company, Phoenix Group CA Services Limited ("PGCAS"), which provided services to the life company, Phoenix Life CA Limited, into that of the Company. As part of its considerations, the Board noted that the proposed consolidation activity would contribute to the further simplification of intra-Group servicing arrangements, designed to optimise and deliver benefits to the wider Group over the long term. Recognising its role in ensuring good outcomes for customers, the Board noted that the proposed arrangements ensured that the services provided by the Company to Phoenix Life CA Limited would be no less than the scope of services provided by PGCAS in the context of policy operation and administration. In ensuring that the highest levels of business conduct were maintained, the Board also received the findings of a comprehensive Line 2 review of the proposal. That review was supportive of the arrangements and also concluded that the integration would have no impact on the ability to generate good customer outcomes.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the changes to the contractual arrangements in support of the integration of the business and assets of PGCAS into that of the Company.

Example key Board decision	Digital wallet proof of concept contract approval
Link to strategic priorities	How the Board reached its decision
	Consideration of section 172 matters The Board considered a proposal to enter into a six month pilot arrangement with the provider of a third party standalone digital wallet application. The dual-branded pilot would be tested with up to 1,000 Phoenix Group customers in order to explore improved ways of engaging with and supporting customers through their retirement process. Discussing the proposal, the Board sought assurance as to the protection of Phoenix customers involved in the pilot, particularly in respect of information security and them having a clear understanding that the arrangement would end after six months. It also sought legal assurance in relation to the contractual aspects of the arrangement. From a long term perspective, the Board explored the potential position beyond the end of the pilot, noting the need to be clear on next steps, particularly in the context of altering the regulatory profile of the Company.
Outcome	Following due consideration of the matters set out in section 172, and having received satisfactory assurance in respect of the queries raised by the Board, the decision to run the pilot was approved.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Business relationships with customers

The Company’s primary customers are Group companies, particularly its life insurance companies. Further detail of how the Board engages with these stakeholders is set out in the “Key Stakeholder Groups” section of this report.

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. Further detail of how the Board engages with these stakeholders is set out in the “Key Stakeholder Groups” section of this report.

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.

Corporate Governance

The Company’s ultimate parent, Phoenix Group Holdings plc is listed on the UK’s main market and accordingly complies with the UK Corporate Governance Code 2018 (the “Code”). The Company does not apply the Code but has established a governance framework which enables the Company to adopt the Wates Governance Principles for Large Private Companies 2018 (the “Principles”). The following statement demonstrates how the Company has applied the Principles during the year. This is reviewed and challenged by the Board at least annually. For avoidance of doubt, there have been no departures from these aspects of governance through the year.

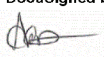
The Principles	Demonstrated by
Purpose and Leadership An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose	The Company has a defined purpose within the Group as a service company and this purpose is aligned, together with its values, strategy and culture, to those of its ultimate parent, Phoenix Group Holdings plc. The Board has worked to support this during the year, particularly in the context of ongoing work to simplify the Group’s service company arrangements.
Board Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company	The Board is an appropriate size given the scale and complexity of the Company, particularly as the Company’s ultimate parent, Phoenix Group Holdings plc, and the regulated life companies within the Group provide oversight of the Company’s activities.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The Principles	Demonstrated by
Director Responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge	The Board has a governance structure in place with clear reporting lines to the regulated life companies within the Group. "Matters Reserved" to the Board of the Company are clearly set out and agendas for each meeting remind all Directors of their responsibilities under Section 172 of the Companies Act 2006. Board meetings, as evidenced through the Board minutes produced, are an open forum for Directors to robustly challenge the proposals presented.
Opportunity and Risk A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks	The Board has considered opportunities for value creation and preservation in accordance with risk appetite and long term strategy set by the regulated life companies within the Group and the Company's ultimate parent company board. Both the Group Head of Internal Audit and Company's Chief Risk Officer have access to the Board to raise any concerns directly. The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit, but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.
Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company	During the year ended 31 December 2024, the remuneration of directors and senior managers was set and controlled by the Company's ultimate parent, Phoenix Group Holdings plc.
Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions	Governance structures and reporting lines are in place to enable feedback between the Company and its stakeholders by way of Group-wide policies and procedures to engage with the workforce, customers, suppliers, regulators and other key stakeholders. The activities of the Board in respect of relationships and engagement with the Company's stakeholders are described in the "Key Stakeholder Groups" section of the Strategic Report.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

On behalf of the Board

DocuSigned by:

AD52068E2615406...
A Cairns

Director

19 September 2025

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Directors’ report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2024.

The Company is incorporated in England and Wales. Its registration number is 03588063 and its registered office is 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

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, the Strategic report discusses the principal risks and uncertainties it faces. Notes 25 and 26 to the financial statements summarise the Company’s capital management and risk 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 cash flow and solvency forecasts for the Company for the period ending 30 September 2026 and considered the net asset position of the Company. The liquidity assessment considered the ability to meet liabilities as they fall due under a base case and a severe stress scenario.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue operating up to the period ending 30 September 2026. Accordingly, they continue to adopt the going concern basis of accounting 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:

A Abell	Appointed 10 May 2024, resigned 29 August 2025
S Buckle	Resigned 10 May 2024
A Cairns	Appointed 1 October 2024
K Jones	Resigned 30 September 2024
J Noakes	
S Thompson	

Secretary

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

Branches

The Company currently has a branch in the Republic of Ireland.

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.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Disclosure of information to auditors

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 auditors are unaware, and each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are 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.

Appointment of auditor

On 6 June 2024, Ernst & Young LLP resigned as auditors having reached the maximum period of service for an auditor of a Public Interest Entity under the mandatory auditor rotation requirements for another Company within the Group.

In accordance with section 485 of the Companies Act 2006, KPMG LLP were 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. The appointment of KPMG LLP as auditor of the Company was approved by the Board.

In accordance with section 487 of the Companies Act 2006, KPMG LLP will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board

DocuSigned by:

AD52068E2615406...

A Cairns

Director

19 September 2025

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 that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Phoenix Group Management Services Limited

Opinion

We have audited the financial statements of Phoenix Group Management Services Limited ("the Company") for the year ended 31 December 2024 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, including the accounting policies in note 1.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit, and members of management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates such as the provision for restructuring. On this audit we do not believe there is a fraud risk related to revenue recognition because the nature of revenue is non-complex and there are no significant incentives to manipulate revenue recognition.

We did not identify additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included, but not limited to, journals posted in seldom used accounts, journals posted with unusual account pairings, and journals containing words determined to be high risk.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with law and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and others management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and money laundering, financial crime, environmental law, employment law, regulatory capital and liquidity, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of laws or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 13, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



Achin Kukreja (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square,

Canary Wharf

London, E14 5GL

19 September 2025

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Statement of comprehensive income

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Fees and commissions	4	1,726.6	1,032.9
Total revenue		1,726.6	1,032.9
Other income	5	8.0	5.8
Total income		1,734.6	1,038.7
Administrative expenses	6	(1,691.3)	(1,042.8)
Total operating expenses		(1,691.3)	(1,042.8)
Profit / (loss) before finance costs and tax		43.3	(4.1)
Finance costs	9	(1.3)	(0.4)
Profit / (loss) for the year before tax		42.0	(4.5)
Tax charge	10	(14.0)	(1.1)
Profit / (loss) for the year attributable to owners		28.0	(5.6)
Other comprehensive (loss) / income:			
Fair value (loss) / gain on revaluation	19	(10.7)	3.8
Total other comprehensive (loss) / income		(10.7)	3.8
Total comprehensive income / (loss) for the year attributable to owners		17.3	(1.8)

The notes on pages 22 to 50 form an integral part of the financial statements.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Statement of financial position - assets

as at 31 December 2024

		As at 31 December 2024	As at 31 December 2023
	Notes	£m	£m
Non-current assets			
Investment in subsidiaries	18	6.3	6.3
Property, plant and equipment	19	61.6	73.7
Loans and receivables	20	51.5	51.5
Deferred tax assets	14	47.7	42.6
Other receivables	21	134.5	107.8
Total non-current assets		301.6	281.9
Current assets			
Prepayments		38.1	29.9
Other receivables	21	334.3	306.7
Collective investment schemes	22	39.8	40.1
Cash and cash equivalents	23	35.0	25.4
Total current assets		447.2	402.1
Total assets		748.8	684.0

The notes on pages 22 to 50 form an integral part of the financial statements.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Statement of financial position – equity and liabilities

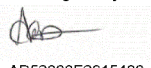
as at 31 December 2024

		As at 31 December	As at 31 December
		2024	2023
	Notes	£m	£m
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	38.6	38.6
Capital contribution reserve	12	8.3	8.3
Revaluation reserve	19	-	10.7
Retained earnings		28.9	(1.5)
Total equity		75.8	56.1
Liabilities			
Non-current liabilities			
Provisions	13	148.5	155.6
Accruals and deferred income	15	40.4	50.8
Lease liabilities	16	31.9	33.7
Other payables	17	45.6	42.8
Total non-current liabilities		266.4	282.9
Provisions	13	93.7	84.3
Accruals and deferred income	15	224.8	214.4
Lease liabilities	16	6.1	5.3
Other payables	17	82.0	41.0
Total current liabilities		406.6	345.0
Total equity and liabilities		748.8	684.0

The notes on pages 22 to 50 form an integral part of the financial statements.

On behalf of the Board

DocuSigned by:



AD52088E2615406...

A Cairns

Director

19 September 2025

Company number: 03588063

 PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Statement of changes in equity

for the year ended 31 December 2024

	Share capital	Capital contribution reserve	Revaluation reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
At 1 January 2024	38.6	8.3	10.7	(1.5)	56.1
Profit for the year	-	-	-	28.0	28.0
Other comprehensive loss for the year	-	-	(10.7)	-	(10.7)
Total comprehensive (loss) / income for the year	-	-	(10.7)	28.0	17.3
Business transfer (note 3)	-	-	-	2.1	2.1
Deferred tax credit on share schemes	-	-	-	0.3	0.3
At 31 December 2024	38.6	8.3	-	28.9	75.8

	Share capital	Capital contribution reserve	Revaluation reserves	Retained earnings	Total
	£m	£m	£m	£m	£m
At 1 January 2023	38.6	8.3	6.9	(40.4)	13.4
Loss for the year	-	-	-	(5.6)	(5.6)
Other comprehensive income for the year	-	-	3.8	-	3.8
Total comprehensive income / (loss) for the year	-	-	3.8	(5.6)	(1.8)
Business transfer	-	-	-	44.5	44.5
At 31 December 2023	38.6	8.3	10.7	(1.5)	56.1

The notes on pages 22 to 50 form an integral part of the financial statements.

 PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Statement of cash flows

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Cash flows from operating activities			
Cash generated / (absorbed) from operations	24	28.2	(3.1)
Taxation (paid) / received		(15.2)	2.4
Net cash flows from operating activities		<u>13.0</u>	<u>(0.7)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	19	(4.7)	(5.8)
Decrease / (increase) in collective investment schemes	22	0.3	(12.6)
Interest received from group companies	5	3.1	2.3
Cash received on business transfer	3	4.9	29.9
Net cash flows from investing activities		<u>3.6</u>	<u>13.8</u>
Cash flows from financing activities			
Payment of lease liabilities	16	(5.7)	(2.6)
Lease interest paid	16	(1.3)	(0.4)
Net cash flows from financing activities		<u>(7.0)</u>	<u>(3.0)</u>
Net increase in cash and cash equivalents		9.6	10.1
Cash and cash equivalents at the beginning of the year		25.4	15.2
Effect of foreign exchange rate changes on cash and cash equivalents		-	0.1
Cash and cash equivalents at the end of the year		<u>35.0</u>	<u>25.4</u>

The notes on pages 22 to 50 form an integral part of the financial statements.

Notes to the financial statements

1. Accounting Policies

(a) Basis of preparation

The financial statements for the year ended 31 December 2024, set out on pages 17 to 50, were authorised by the Board of Directors for issue on 17 September 2025.

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

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

The financial statements are standalone financial statements and the exemption in paragraph 4 of International Financial Reporting Standard ("IFRS") 10 *Consolidated Financial Statements* and section 401 of the Companies Act 2006, have been used not to present consolidated financial statements. The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc ("PGH"), a company incorporated in England and Wales. The registered address of PGH is 20 Old Bailey, London, EC4M 7AN.

Going concern

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 cash flow and solvency forecasts for the Company for the period ending 30 September 2026 and considered the net asset position of the Company. The liquidity assessment considered the ability to meet liabilities as they fall due under a base case and a severe stress scenario.

As a result of this review, the Directors believe the Company has adequate resources to continue operating up to the period 30 September 2026. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In preparation of these financial statements, the Company has considered the potential impacts of climate change on the financial statements, including on key assumptions and estimates used in the valuation of reported assets and liabilities, and concluded that there are no material implications at this time. Impacts of climate change will remain under review by the Company and the wider Group.

Statement of compliance

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

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

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 IFRS or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Changes to accounting policies

The accounting policies applied in these financial statements are the same as those applied in the last annual financial statements with the exception of adoption of new policy for transfer of business under common control.

A number of new standards are effective from 1 January 2024 but they do not have a material effect on the Company's financial statements (see note 2).

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with 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 area of the Company's business that typically requires such estimates is the valuation of provisions. The accounting policy for provisions is discussed in accounting policy (k) and further details of the provisions are included in note 13.

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 assets, and owner-occupied property.

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.

(d) Income tax

Income tax comprises current and deferred 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.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised to the extent that they are regarded as recoverable, that is only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The UK taxation regime applies separate rules to trading and capital profits and losses. The distinction between temporary differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets.

(e) Employee benefits

The Company is a participating employer in the PGL pension scheme which has a defined contribution section and a dormant defined benefit section.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of comprehensive income as and when incurred.

Defined benefit plans

No net defined benefit cost or cash contributions of the PGL scheme are borne by the Company as it is the policy of the Phoenix Group for these to be borne by the sponsoring employer for the PGL scheme, Pearl Group Holdings (No.1) Limited, a Group entity.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

(f) Property, plant and equipment

Owner-occupied property is stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. The property is revalued on a quarterly basis.

Owner-occupied property is depreciated over its estimated useful life, which is taken as 50 years, except where the residual value is greater than its carrying value in which case no depreciation is charged to profit or loss. Land is not depreciated.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the Statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets. The useful lives of the fixtures, fittings and equipment have been estimated as 2-5 years.

(g) Investment in subsidiaries

Investments in shares in subsidiaries are carried in the Statement of financial position at cost less impairment.

At each reporting date, the Company assesses whether there are any indications of impairment or reversal of impairment. When such indications exist, an impairment test is carried out by comparing the carrying value of the investment against the estimate of the recoverable amount, which represents the higher of value in use or fair value less costs of disposal. Impairments and reversal of impairments are recognised as expense or income in the Statement of comprehensive income in the period in which they occur.

(h) Financial assets***Classification of Financial assets***

Financial assets are classified into one of the following measurement categories: fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") and amortised cost. Classification is made based on the objectives of the Company's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. Financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset, except for assets subsequently held at FVTPL where transaction costs are expensed.

Financial assets are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Financial assets measured at amortised cost are included in note 20 Loans and receivables, note 21 Other receivables and note 23 Cash and cash equivalents.

Collective investment schemes are measured at FVTPL as they are managed and evaluated on a fair value basis. Net gains and losses, including interest and dividend income, are recognised in the Statement of comprehensive income.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Impairment of financial assets

The Company assesses the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The measurement of credit impairment is based on an ECL model and considers whether there has been a significant increase in credit risk.

For those credit exposures for which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the total ECL resulting from default events that are possible within 12 months after the reporting date ("12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company measures and recognises an allowance at an amount equal to the ECL over the remaining life of the exposure, irrespective of the timing of the default ("Lifetime ECL"). If the financial asset becomes 'credit-impaired' (following significant financial difficulty of issuer/borrower, or a default/breach of a covenant), the Company will recognise a Lifetime ECL. ECLs are derived from unbiased and probability-weighted estimates of expected loss. A simplified approach is used to determine the loss allowances for other receivables whereby they are always measured at an amount equal to lifetime ECLs. See note 26 for detail 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 with reference to the counterparties of each balance.

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

(i) 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.

(j) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an individual asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset. If the lessor has a substantive substitutions right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset i.e. it has the decision-making rights about how and for what purpose the asset is used.

This policy applies to contracts entered into or amended after 1 January 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairments and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated over the remaining lease term.

Lease liabilities are presented as a separate line item and right-of-use assets are presented within "Property, plant and equipment" in the Statement of financial position.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from, for example, rent reviews or from changes in the assessment of whether a termination option is reasonably certain not to be exercised. The Company applies judgement to determine the lease term for leases with break clauses.

The Company excludes non-lease components such as service charges and accounts for these on a straight-line basis over its lease term.

(k) Provisions and contingent liabilities

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Company has a present legal or constructive obligation as a result of a past event but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

(l) 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 are paid.

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

(m) Income recognition

Fee and commission income

Fee and commission income relates to the following:

- policy administration fees, project fees, pass through fees and corporate fees which are recognised as the services are provided; and
- other fees, which are recognised as the services are provided.

Fee income received for the indemnity of future risks is treated as deferred income in the period in which it is received and recognised as revenue either in line with actual costs incurred (as these costs are considered to best reflect the rendering of services) or as a result of a reduction in the assumed level of future risks. The deferred income relating to the profit share agreement is recognised on a straight line basis over the duration of the agreement, 5 years.

Other income

Other income includes net investment income, which comprises interest on cash and cash equivalents, dividends on collective investment schemes and fair value gains and losses on collective investment schemes.

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.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

(n) Expense recognition

Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on PGH, the Company's ultimate parent company, estimate of equity instruments that will eventually vest. At each period end, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is charged or credited to the Statement of comprehensive income.

Finance costs

Interest payable is recognised in the Statement of comprehensive income as it accrues and is calculated by using the effective interest method.

(o) Transfer of business

Where the Company participates in a transfer and the ultimate shareholders remain the same, the transaction constitutes business combinations involving entities or businesses under common control. IFRS does not prescribe the treatment of such transfers. Accordingly, the transferred assets and liabilities are measured at the carrying value in the transferring company and no gain or loss are recognised. Instead, any difference between the value of the net assets transferred and any consideration paid is recognised directly in retained earnings, unless the Companies Act requires an element to be recognised in another reserve.

(p) Share capital and capital contributions

Ordinary share capital

The Company has issued ordinary shares which are classified as equity.

Capital contributions

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.

(q) 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 only disclosed.

2. New and amended accounting standards

Adoption of new accounting pronouncements in 2024

In preparing the financial statements, the Company has adopted the following amendments to standards effective from 1 January 2024 and which have been endorsed by the UK Endorsement Board ("UKEB"):

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1)

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

None of the above amendments to standards are considered to have a material effect on these financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New accounting pronouncements not yet effective

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

Lack of Exchangeability (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*) (1 January 2025)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. These amendments are not expected to have any impact on the Company.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (1 January 2026)

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income.

The Company does not expect these amendments to have a material impact on its operations or financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 (1 January 2026)

As part of the IASB's Annual Improvements process it has issued minor amendments to address potential areas of confusion within the following standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards* - hedge accounting by a first-time adopter; IFRS 7 *Financial Instruments: Disclosures* - gain or loss on derecognition and clarifications within implementation guidance; IFRS 9 *Financial Instruments* - lessee derecognition of lease liabilities and transaction price; IFRS 10 Consolidated Financial Statements - determination of a "de facto agent"; and IAS 7 Statement of cash flows - cost method.

The Company does not expect these amendments to have a material impact on its operations or financial statements.

IFRS 18 *Presentation and Disclosure in Financial Statements* (1 January 2027)

The new standard will replace IAS 1 *Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, there are expected to be impacts on presentation and disclosure, particularly in relation to the Statement of comprehensive income.

Income and expenses in the Statement of comprehensive are required to be split into five new categories and in addition two new defined sub-totals are required in the Statement of comprehensive income; operating profit and profit before financing and income taxes. From a cash flow statement perspective, the Company is required to use the operating profit sub-total as a starting point for the Statement of cash flows when presenting operating cash flows under the indirect method.

New and enhanced guidance has also been introduced on the aggregation and disaggregation of information in the financial statements. When applying these updated requirements judgement may be required to ensure that the primary financial statements fulfil their new role of providing 'useful structured summaries' to give users more useful information.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The Company will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 December 2026 will be restated in accordance with IFRS 18, including a reconciliation for each line item in the Statement of comprehensive income between the restated amounts applying IFRS 18 and the amounts previously presented applying IAS 1.

During 2024, the Group performed an initial assessment of the impacts of IFRS 18 and this assessment will be extended to all Group entities in 2025.

IFRS 19 *Subsidiaries without Public Accountability* (1 January 2027)

IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Company does not currently expect this standard to have an impact on its operations or financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred)

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. These amendments are not expected to have any impact on the Company.

The following amendments to standards listed above have been endorsed for use in the UK by the UK Endorsement Board:

- Lack of Exchangeability (Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*); and
- Annual Improvements to IFRS Accounting Standards — Volume 11.

3. Transfers of business

SLFC Services Co. (UK) Limited, subsequently renamed to Phoenix Group CA Services Limited

With effect from 1 October 2024, all the servicing activities, assets (except for small amount of cash required to be held until the Company is deauthorised) and liabilities of Phoenix Group CA Services Limited transferred to the Company for £1 consideration.

	1 October 2024
	Total
	£m
Assets	
Deferred tax	1.6
Other receivables	2.1
Cash and cash equivalents	4.9
	<u>8.6</u>
Equity and liabilities	
Accruals and deferred income	2.1
Other payables	4.3
Provisions	0.1
Retained earnings	2.1
	<u>8.6</u>

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

4. Fees and commissions

	2024	2023
	£m	£m
Policy administration fees	513.4	131.9
Project fees	717.5	617.4
Pass through fees	66.7	112.2
Corporate fees	172.3	36.0
Recharges income	237.2	111.6
Other fees	9.1	4.3
Movement in deferred income (note 15)	10.4	19.5
Total fees and commissions	1,726.6	1,032.9

5. Other income

	2024	2023
	£m	£m
Net investment income	8.0	5.8

Net investment income includes interest of £3.1m (2023: £2.3m) on loans to a fellow subsidiary.

6. Administrative expenses

		2024	2023
	Note	£m	£m
Employee costs		547.0	289.9
Outsourcing expenses		272.2	129.2
Depreciation of property plant and equipment	19	16.3	6.3
Impairment loss	19	-	1.7
Operating lease rentals		-	3.3
IT & office costs		244.8	96.4
Professional fees		279.4	184.3
Restructuring		16.8	114.4
Recharge expenses		148.2	131.8
Other expense		166.6	85.5
		1,691.3	1,042.8

Employee costs

	2024	2023
	£m	£m
Wages and salaries	456.0	240.7
Social security contributions	53.4	26.2
Other pension costs	37.6	23.0
	547.0	289.9

	2024	2023
Average number of persons employed during the year:		
UK	4,055	2,137
Europe	483	474
	4,538	2,611

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

As part of the Group initiative to consolidate the servicing activities of the Group, Pearl Group Services Limited ("PGS") and Standard Life Assets and Employee Services Limited ("SLAESL") employees moved to become PGMS employees on 1 July 2023. On 1 October 2024, following the transfer of activities from Phoenix Group CA Services Limited, their employees also became employees of the Company.

7. Directors' remuneration

	2024	2023
	£m	£m
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	0.6	0.6
Share-based payments	0.3	0.3

	2024	2023
	Number	Number
Number of Directors who:		
are members of a money purchase pension scheme	4	5
have exercised share options during the year	3	3

	2024	2023
	£m	£m
Highest paid Director's remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	0.3	0.2
Share-based payments	0.2	0.1

During the year to 31 December 2024 key management personnel contributed £0.2m (2023: £0.1m) to pensions and savings products sold by the Group.

At 31 December 2024, the total value of key management personnel's investments in Group pensions and savings products was £594k (2023: £709k).

8. Auditor's remuneration

	2024	2023
	£m	£m
Audit of the Company's financial statements	0.3	0.2

During the financial year ended 31 December 2024, KPMG LLP acted as the Company's external auditor. Auditor's 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.

9. Finance costs

	2024	2023
	£m	£m
Interest on lease liabilities	1.3	0.4

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

10. Tax charge / (credit)***Current year tax charge***

	2024	2023
	£m	£m
Current tax:		
UK Corporation tax	-	-
Group Relief	17.9	5.8
Overseas tax	0.1	0.2
Adjustment in respect of prior years	(0.8)	(0.4)
Total current tax	17.2	5.6
Deferred tax:		
Origination and reversal of temporary differences	(4.1)	(1.9)
Change in the rate of UK corporation tax	-	(0.1)
Adjustment in respect of prior years	0.9	(2.5)
Total deferred tax	(3.2)	(4.5)
Total tax charge	14.0	1.1

Reconciliation of tax charge

	2024	2023
	£m	£m
Profit / (loss) for the year before tax	42.0	(4.5)
Tax at standard UK rate of 25.0% (2023: 23.5%)	10.5	(1.1)
Disallowable expenses	3.3	2.7
Adjustment to tax charge in respect of prior years	0.1	(2.9)
Overseas tax at a different rate to UK tax rate	0.2	-
Deferred tax rate change	-	(0.1)
Share based remuneration	1.2	0.9
Current year losses not valued	(1.3)	1.6
Total tax charge for the year	14.0	1.1

Pillar Two Tax

The Group is continuing to monitor developments in relation to the G20-OECD Inclusive Framework "Pillar Two" rules, as the Group is within the scope of the rules from 1 January 2024. Broadly, these rules seek to ensure that, on a jurisdiction-by-jurisdiction basis, large multinational enterprises pay a minimum tax rate of 15% on worldwide profits arising after 31 December 2023.

In May 2023, the scope of IAS 12 has been amended to clarify that the standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The Company confirms that it has applied this exception during the period.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

11. Share capital

	2024	2023
	£m	£m
Authorised:		
100m (2023: 100m) Ordinary shares of £1 each	100	100
Issued and fully paid equity shares:		
38,613,037 Ordinary shares of £1 each	38.6	38.6
The holders of ordinary shares are 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 legally available profits.		

12. Capital contribution

	2024	2023
	£m	£m
As at January and 31 December	8.3	8.3

Whilst the expense arising from equity-settled transactions is recorded in the Statement of comprehensive income, in accordance with IFRS 2 the corresponding credit entry is classified as a capital contribution received from PGH within equity. However, this capital contribution is immediately offset by a corresponding management recharge of equivalent value (note 27).

13. Provisions

	Strategic review of outsourcing relationships	Restructuring	Leasehold properties	Staff Related	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2024	26.7	156.1	9.1	4.3	43.7	239.9
Business transfer (note 3)	-	-	-	-	0.1	0.1
Additions in the year	6.0	109.9	0.7	-	18.7	135.3
Utilised during the year	(14.2)	(76.5)	-	(0.2)	(4.1)	(95.0)
Released to income statement	(5.5)	(8.8)	-	-	(12.7)	(27.0)
Impact of discounting	-	(11.1)	-	-	-	(11.1)
At 31 December 2024	13.0	169.6	9.8	4.1	45.7	242.2

Strategic review of Outsourcing Relationship

On 29 November 2018, Phoenix Group announced its intention to move to a single outsourcer platform and as a result 2 million of the Group's policies are being transferred to Diligenta Limited. A provision was recognised in 2018 for the expected cost of the platform migration, of which £14.2m was utilised during 2024 (2023: £16.0m) and £5.5m was released (2023: £nil). There was an increase in the provision of £6.0m (2023: £10.4m) with the provision expected to be utilised by 2025.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Restructuring

Following the acquisition of the Standard Life Assurance businesses in August 2018, the Group established a transition and transformation programme which aims to deliver the integration of the Group's operating models via a series of phases. During 2019, the Group announced its intention to extend its strategic partnership with Tata Consultancy Services ("TCS") TCS to provide customer servicing, to develop a digital platform and for migration of existing Standard Life policies to this platform which raised a valid expectation of the impacts in those likely to be affected. The initial provision was established in 2019 and included migration costs, severance costs and other expenses. No costs have been provided for that relate to the ongoing servicing of policies.

Migration costs payable to TCS are subject to limited uncertainty as they are fixed under the terms of the agreement entered into. The severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected. There was an increase in costs during the year following on from a strategic review of the programme to provide for decommissioning costs associated with the restructure. These costs are subject to uncertainty and will be impacted by the phasing of the decommissioning activities and any subsequent updates made to the best estimate view of the costs. During the year, £22.4m was utilised. There was an increase in the provision of £39.1m during the year with the provision expected to be utilised within one to three years. As at 31 December 2024, the provision is £73.3m (2023: £63.4m). Costs incurred by the Company in association with the activities outlined above are fully recharged to the Company's ultimate parent, PGH.

During 2023, the Group announced its intention to further extend its strategic partnership with TCS through the migration of all ReAssure policies onto the TCS BaNCS platform and the consolidation of its operating locations, thereby raising a valid expectation of the impacts in those likely to be affected. As with similar provisions, migration costs payable to TCS are subject to limited uncertainty as they are fixed under the terms of the agreement entered into and the severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected. During the year, £33.3m was utilised and £8.8m was released. There was an increase in the provision of £28.1m during the year with the provision expected to be utilised between one to four years. As at 31 December 2024, the provision is £74.3m (2023: £92.7m). Costs incurred by the Company in association with the activities outlined above are fully recharged to the Company's ultimate parent, PGH. See note 29 for details of non-adjusting events occurring after the balance sheet date in relation to this migration.

During 2024, the Group established a transformation programme which aims to transform the Group from being a financial engineering business, to being a purpose led, organically growing business over the next three years. As part of this, an operational simplification workstream is undertaking activity to simplify the Group's operating model such that the business is more efficient and focused on the Group's new strategic direction through review of the Group's organisational structure and ultimately by reducing headcount in the business. The provision includes severance costs and other expenses. The severance costs are subject to uncertainty and judgement has been applied. They will be impacted by the number of staff that leave the Group, and the average salaries and number of years' service of those affected. The initial provision totalled £42.8m of which £20.8m was utilised during the year. The provision is expected to be utilised within one year. As at 31 December 2024, the provision is £22.0m (2023: £nil). Costs incurred by the Company in association with the activities outlined above are fully recharged to the Company's ultimate parent, PGH.

Leasehold Properties

PGMS holds leases over Standard Life House, St Stephen's Green and the Glenogle Road data centre. These leases include provisions that require PGMS to return the properties to their initial condition. The provision is based upon best estimates in respect of market conditions. During the year, it was increased by £0.7m (2023: £1.3m) due to increasing costs of materials.

Staff related provision - Unfunded Pension

The main component of the staff related provisions is £2.9m (2023: £3.2m) held in respect of unfunded pensions. This represents commitments of the Company under various legacy post-employment benefit arrangements to former employees. The Company is committed to paying the benefits due each year.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The key risks facing the Company are possible future adverse economic conditions and increases in longevity of Scheme members, which can result in higher payments for longer than assumed. The key assumptions used in the calculation of the provision are:

Discount rate	5.55% (2023: 4.60%)
Pension increases in payment based on RPI	3% (2023: 2.90%)

The provision was recalculated by AON Hewitt actuaries using assumptions (consistent with all Group Pension Schemes) set by the Phoenix Group.

The key sensitivities for this provision are:

- A 0.25% increase in the discount rate is expected to decrease the liabilities by £48k (2023: £51k).
- A 0.25% decrease in the discount rate is expected to increase liabilities by £49k (2023: £50k).
- A 0.25% increase in the inflation assumption is expected to increase the liabilities by £31k (2023: £44k).
- A 0.25% decrease in the inflation assumption is expected to decrease liabilities by £40k (2023: £43k).

Staff related provision - Healthcare provision

The remaining component of staff related provisions is £1.2m (2023: £1.1m) held in respect of post-employment private medical insurance costs for former employees and had been transferred into Company from PGS. The key risk the Company faced in relation to the healthcare provision is possible adverse medical expense inflation, which may increase the costs to the Company.

The key assumptions used in the calculation of the provision are:

Medical expense inflation rate	18.0% (2023: 14.0%)
Mortality rates:	
Males	100.0% (2023: 95%)
Females	95% (2023: 87.5%)
Discount rate	4.07% (2023: 3.28%)

Other Provisions

Other provisions principally relate to legal costs and indirect tax provisions. During the year, the provisions were strengthened by £18.7m (2023: £35m). A provision of £0.1m was transferred into the Company as part of the business transfers (2023: £17.5m). There were £4.1m utilisations against these provision (2023: £nil) and £12.7m (2023: £11.0m) was released. The provisions are expected to be utilised in one to three years.

14. Tax assets and liabilities

	2024 £m	2023 £m
Deferred Tax		
The balance at 31 December comprises:		
Deferred tax assets	47.7	42.6

Movement in deferred tax asset

Year ended 31 December 2024	At 1 January £m	Business transfer (note 3) £m	Recognised in income statement £m	Recognised in equity £m	At 31 December £m
Tax losses	21.3	0.3	(0.2)	-	21.4
Share schemes	7.7	0.1	1.4	0.3	9.5
Accelerated capital allowances	11.5	1.2	1.5	-	14.2
Provisions	2.1	-	0.5	-	2.6
	42.6	1.6	3.2	0.3	47.7

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Year ended 31 December 2023	At 1 January £m	Business transfer £m	Recognised in income statement £m	Recognised in equity £m	At 31 December £m
Tax losses	9.4	9.6	2.3	-	21.3
Share schemes	4.9	2.0	0.8	-	7.7
Accelerated capital allowances	4.5	6.5	0.5	-	11.5
Provisions	0.2	1.0	0.9	-	2.1
	<u>19.0</u>	<u>19.1</u>	<u>4.5</u>	<u>-</u>	<u>42.6</u>

The standard rate of corporation tax for the accounting period is 25% (2023: 23.5%).

An announcement was made in the UK Budget, March 2021 and enacted on 10 June 2021 to increase the rate of corporation tax to 25% from 1 April 2023. Accordingly, the relevant deferred tax balances have been measured taking the 25% rate into account. Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred tax assets have not been recognised in respect of:

	2024 £m	2023 £m
Unrealised loss – real estate	3.6	2.3
Total deferred tax assets not recognised	<u>3.6</u>	<u>2.3</u>

15. Accruals and deferred income

	2024 £m	2023 £m
Deferred income	40.4	50.8
Accruals	224.8	214.4
	<u>265.2</u>	<u>265.2</u>
Amount due for settlement before 12 months	<u>224.8</u>	<u>214.4</u>
Amount due for settlement after 12 months	<u>40.4</u>	<u>50.8</u>

The following table details the change in deferred income:

	2024 £m	2023 £m
At 1 January	50.8	32.3
Movement during the year	(10.4)	(19.5)
Business transfer	-	38.0
At 31 December	<u>40.4</u>	<u>50.8</u>

The Company renegotiated MSAs with Phoenix Life Limited ("PLL") to harmonise the contract terms, structures and charging basis of the previous MSAs with effect from 31 December 2015. As part of the harmonisation, the Company accepted certain risks on behalf of PLL, which related to particular blocks of business, in exchange for the receipt of a one-off payment. The fee income was deferred and is being recognised in line with associated costs as and when they arise or as a result of a reduction in the assumed level of risk. The timing of recognition is therefore uncertain.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Remaining performance obligations

As of 31 December 2024 the aggregate amount of the remaining deferred income is £40.4m and the entity will recognise this revenue as future costs are incurred, the timing of which is uncertain.

16. Lease liabilities

	2024	2023
	£m	£m
As at 1 January	39.0	2.9
Addition	4.7	3.1
Interest on lease liabilities	1.3	0.4
Lease payments	(7.0)	(3.0)
Lease termination	-	(1.1)
Business transfer	-	36.7
As at 31 December	<u>38.0</u>	<u>39.0</u>
Amounts due within 12 months	6.1	5.3
Amounts due after 12 months	<u>31.9</u>	<u>33.7</u>

Maturity analysis – contractual undiscounted cash flows

	2024	2023
	£m	£m
Less than one year	6.5	6.4
Later than one year and no later than five years	25.6	22.5
Greater than five years	<u>8.4</u>	<u>14.0</u>

The table above sets out the contractual undiscounted cash flows for those leases where a lease liability has been recognised.

Property leases in respect of Standard Life House, Edinburgh and St Stephen's Green, Ireland were transferred into PGMS from SLAESL in 2023 as part of the business transfer. Lease liabilities also include a property lease relating to Glenogle Road, Edinburgh.

The properties are currently occupied by the Phoenix Group. Leases expire in July 2031, September 2029 and September 2031 respectively, they all include 10-year extension clauses.

The principal cash outflow for leases incurred for the year ended 31 December 2024 is £5.7m (2023: £2.6m) and interest amounted to £1.3m (2023: £0.4m).

17. Other payables

	2024	2023
	£m	£m
Amounts owed to Group companies	101.4	56.4
Other payables	<u>26.2</u>	<u>27.4</u>
	<u>127.6</u>	<u>83.8</u>

Amounts owed to Group companies includes the reimbursement to a fellow Group subsidiary, ReAssure UK Services Limited, for all costs which have been provided under Restructuring provision of £59.6m (2023: £66.7m). Of this amount, £45.6m is non-current (2023: £42.8m).

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

18. Investment in subsidiaries

	2024	2023
	£m	£m
At 1 January and 31 December	6.3	6.3

There was no impairment in the value of investment in subsidiaries during 2024 or 2023.

The subsidiaries of the Company are:

	Country of incorporation and principal place of operation	Class of shares held (wholly-owned unless otherwise indicated)
PGMS (Ireland) Holdings	International Financial Services Centre, 3 Dublin Landings, North Wall Quay, Dublin 1, D01 C4E0	Ordinary shares of £1
PGMS (Glasgow) Limited	Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.	Ordinary shares of £1
Alba Life Trustees Limited	Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.	Ordinary shares of £1
Phoenix SCP Pensions Trustees Limited	1 Wythall Green Way, Wythall, Birmingham, B47 6WG, England	Ordinary shares of £1
Phoenix SCP Trustees Limited	Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.	Ordinary shares of £1
Phoenix Pension Scheme (Trustees) Limited	1 Wythall Green Way, Wythall, Birmingham, B47 6WG, England	Ordinary shares of £1
Phoenix Pensions Trustee Services Limited	1 Wythall Green Way, Wythall, Birmingham, B47 6WG, England	Ordinary shares of £1
PGMS (Ireland) Limited (subsidiary of PGMS (Ireland) Holdings)	International Financial Services Centre, 3 Dublin Landings, North Wall Quay, Dublin 1, D01 C4E0	Ordinary shares of £1

19. Property, plant and equipment

	Owner occupied property 2024 £m	Property right of use asset 2024 £m	Plant and equipment 2024 £m	Total 2024 £m
Cost or valuation				
1 January 2024	15.7	76.1	65.1	156.9
Additions	-	4.0	4.7	8.7
Disposals	-	-	(0.1)	(0.1)
Fair value loss on revaluation	(5.3)	-	-	(5.3)
31 December 2024	10.4	80.1	69.7	160.2
Accumulated depreciation				
1 January 2024	-	(40.7)	(42.5)	(83.2)
Depreciation (note 6)	(0.3)	(5.6)	(10.4)	(16.3)
Remeasurement of right of use asset	-	0.6	-	0.6
Fair value gains on revaluation	0.3	-	-	0.3
31 December 2024	-	(45.7)	(52.9)	(98.6)
Carrying amount	10.4	34.4	16.8	61.6

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

	Owner occupied property 2023 £m	Property right of use asset 2023 £m	Plant and equipment 2023 £m	Total 2023 £m
Cost or valuation				
1 January 2023	17.9	13.9	17.3	49.1
Additions	0.5	2.8	4.4	7.7
Disposals	-	(2.1)	-	(2.1)
Business transfer (note 3)	-	61.5	43.4	104.9
Fair value loss on revaluation	(2.7)	-	-	(2.7)
31 December 2023	15.7	76.1	65.1	156.9
Accumulated depreciation				
1 January 2023	-	(11.8)	(6.9)	(18.7)
Business transfer	-	(27.9)	(31.1)	(59.0)
Depreciation (note 6)	(0.4)	(1.4)	(4.5)	(6.3)
Disposal	-	0.4	-	0.4
Fair value gains on revaluation	0.4	-	-	0.4
31 December 2023	-	(40.7)	(42.5)	(83.2)
Carrying amount	15.7	35.4	22.6	73.7

The useful lives of plant and equipment have been taken as 5-10 years for fixtures and fittings and 2-5 years for computer equipment. Owner-occupied property has an estimated useful life of 50 years. Land is not depreciated.

Savills plc, an accredited independent valuer completed a valuation of the owner-occupied property at 31 December 2024, on an open market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. The fair value measurement for the land and buildings of £10.4m has been categorised as level 3 based on the non-observable inputs to the valuation technique used. Land and buildings valuations are treated as separate assets for revaluation purposes.

The following table shows reconciliation from the opening to the closing fair values for the level 3 land and buildings at fair value:

	2024 £m	2023 £m
At 1 January	15.7	17.9
Additions	-	0.5
Depreciation recognised in profit or loss	(0.3)	(0.4)
Fair value gain / (loss) on revaluation:		
Reversal of impairment / (impairment) - income statement	5.7	(6.1)
(Reversal of gains) / gains - other comprehensive income	(10.7)	3.8
At 31 December	10.4	15.7

The fair value of the land and buildings at valuation was derived using the investment method supported by comparable evidence. The significant non-observable inputs used in the valuation are expected rental value per square foot and capitalisation rate. The fair value of the land and buildings valuation would increase/(decrease) if the expected rental value per square foot were higher/(lower) and the capitalisation rate were to be lower/(higher).

If the owner-occupied property was recognised at historical cost less accumulated depreciation, its carrying amount would have been approximately £11.6m at 31 December 2024 (2023: £11.9m).

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Unrealised gains of £Nil (2023: £10.7m) are held in the Revaluation Reserve within the Statement of changes in equity. During the year, a loss of £10.7m (2023: gain of £3.8m) was transferred into the revaluation reserve through other comprehensive income. The accumulated depreciation of £0.3m (2023: £0.4m) during the year and the fair value gain on revaluation of £5.7m (2023: loss of £6.1m) was taken directly to profit or loss. The revaluation reserve is not distributable.

20. Loans and receivables

	2024 £m Carrying Value	2023 £m Carrying Value	2024 £m Fair Value	2023 £m Fair Value
Loans to Group entities at amortised cost:				
Pearl Life Holdings Limited ("PLHL")	51.5	51.5	51.5	51.2
Repayable within 12 months	-	-		
Repayable after 12 months	51.5	51.5		

The loan balance of £51.5m (2023: £51.5m) to PLHL is repayable on 31 December 2026 and earns interest at a compounded SONIA plus 0.78%. Interest is settled bi-annually.

Determination of fair value and fair value hierarchy of loans and receivables

Loans and receivables are categorised as Level 3 financial instruments. The fair value of loans and receivables with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible. There were no level 1 or level 2 loans and receivables in 2024 or 2023. There were no fair value gains or losses recognised in other comprehensive income.

21. Other receivables

	2024 £m	2023 £m
Amounts due from Group entities	452.4	388.3
Other receivables	16.4	26.2
	468.8	414.5

Amounts owed by Group entities include the reimbursement for all costs which have been provided under Restructuring provision totalling £207.2m (2023: £156.0m) and a proportion of costs provided for under the Strategic review of outsourcing relationship provision totalling £10.4m (2023: £15.3m) – see note 13.

22. Collective investment schemes

	2024 £m	2023 £m
Collective Investment scheme	39.8	40.1

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

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 are held for the purpose of managing liquidity and are 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 Aberdeen Asset Management plc. 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 (i). 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.

23. Cash and cash equivalents

	2024	2023
	£m	£m
Bank and cash balances	35.0	25.4

The carrying amounts of cash and cash equivalents are not materially different from their fair values.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

24. Cash flows from operating activities

		2024	2023
		£m	(restated) £m
	Note		
Profit / (loss) for the year before tax		42.0	(4.5)
Non-cash movements in loss for the year before tax			
Depreciation of property, plant and equipment	19	16.3	6.3
Write-off of Right of use asset	19	-	1.7
(Reversal of impairment) / impairment of owner-occupied property in profit	19	(5.7)	6.1
Foreign exchange on translation of foreign operation		-	(0.1)
Interest on lease liabilities	16	1.3	0.4
Interest income on loans to Group entities		(3.1)	(2.3)
Changes in operating assets and liabilities:			
Increase in other assets		(60.5)	(28.0)
Increase in other liabilities		37.9	17.3
Cash utilised from operations		28.2	(3.1)

Supplementary disclosures on cash flow from operating activities

	2024	2023
	£m	£m
Interest received	4.9	3.5

The following 2023 figures in the tables above have been restated:

- 'Profit / (loss) for the year before tax' was previously £(0.3)m, now £(4.5)m;
- 'Increase in other assets' was previously £(26.4)m, now £(28.0)m;
- 'Increase in other liabilities' was previously £11.5m, now £17.3m; and
- 'Interest received' was previously £2.3m, now £3.5m

The restatements have no impact on the Statement of cashflows or the other primary statements for 2023.

The changes in operating assets and liabilities lines above include only amounts generated by the operations of the Company, not amounts generated from transfers of business.

25. Capital management

The Company's capital comprises share capital and reserves. At 31 December 2024, total capital was £75.8m (2023: £56.1m). The movement in capital during the year includes total comprehensive income of £17.3m (2023: loss of £1.8m) and net assets transferred in of £2.1m (2023: £44.5m). There was a tax credit of £0.3m (2023: £nil) relating to share schemes.

The Company is regulated by the FCA and must maintain capital of £20k (2023: £20k). The Company's capital is 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 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 in the short to medium term taking account of the anticipated future developments of the Company. At 31 December 2024, it had an excess over its regulatory capital requirements of £75.8m (2023: £56.1m).

The Directors have prepared cash flow forecasts for the Company for the foreseeable future. The cash flow forecasts indicate that the Company is able to meet its obligations as and when they fall due for the foreseeable future.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

26. Risk management

On 31 December 2015, the Company agreed a revised MSA with PLL. Under this agreement, the Company entered into further risk buyouts relating to regulatory change and expense risk. The Company received a cash consideration for accepting these risks.

At the time of the risk transfers, the consideration was determined to be adequate to meet the foreseeable costs of the risks crystallising and continues to be at 31 December 2024. The risks are assessed as part of the following items:

Expense risk

The Company carries the risk of reducing its expenses in line with fee income from per policy-based management services agreements.

To mitigate expense risk the company outsources policy administration services for a per policy-based fee. The total cost of outsourced policy administration runs off in line with policy run off. The Company manages incremental expense risk through a focus on cost reduction initiatives across the business as a part of the annual operating plan.

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 with the parent company, Impala Holdings Limited ("IHL"), to identify cash flow requirements.

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's undiscounted financial liabilities and associated interest.

		1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
2024	Accruals and deferred income	224.8	-	-	40.4	265.2
	Lease liabilities	6.5	25.6	8.4	-	40.5
	Other payables	82.0	49.4	-	-	131.4
2023	Accruals and deferred income	216.4	-	-	50.8	267.2
	Lease liabilities	6.4	22.5	14.0	-	42.9
	Other payables	41.0	42.8	-	-	83.8

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. Phoenix Group has processes in place to keep up to date with latest FCA guidelines and regulation. Phoenix Group is also responsible for treating its customers fairly and adheres to FCA guidelines in respect of this.

Credit risk

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.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Credit risk management practices

The Company's current 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	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group 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:

2024	Note	External Credit rating	Internal Credit rating	12m or Lifetime ECL?	Gross carrying amount	Loss Allowance	Net carrying amount
					£m	£m	£m
Loans and receivables	20	N/A	Performing	12m ECL	51.5	-	51.5
Intercompany receivables	21	N/A	Performing	12m ECL	452.4	-	452.4
Other receivables	21	N/A	Performing	12m ECL (simplified approach)	16.4	-	16.4
Cash and cash equivalent	23	A+	N/A	12m ECL	35.0	-	35.0
Collective Investment scheme	22	AAA	N/A	12m ECL	39.8	-	39.8

2023	Note	External Credit rating	Internal Credit rating	12m or Lifetime ECL?	Gross carrying amount	Loss Allowance	Net carrying amount
					£m	£m	£m
Loans and receivables	20	N/A	Performing	12m ECL	51.5	-	51.5
Intercompany receivables	21	N/A	Performing	12m ECL	388.3	-	388.3
Other receivables	21	N/A	Performing	12m ECL (simplified approach)	26.2	-	26.2
Cash and cash equivalent	23	A+	N/A	12m ECL	25.4	-	25.4
Collective Investment scheme	22	AAA	N/A	12m ECL	40.1	-	40.1

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.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

Loans and receivables - The Company is exposed to credit risk relating to loans and receivables from other Group Companies, which are considered low risk. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing whether there has been any historical defaults, by reviewing the going concern assessment of the borrower, the long term stability of the Phoenix Group and the ability of the Parent Company to prevent a default by providing a capital or cash injection.

Intercompany receivables – 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.

Other receivables - 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 - The Company’s cash and cash equivalents are held with bank and financial institution counterparties, which have A+ investment grade ratings. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and there being no history of default.

Collective investment schemes - The Company’s collective investment schemes represent investments in a fund which has an AAA investment grade rating and a positive outlook. 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. The table below illustrate the sensitivity of profit after tax and equity to reasonably possible variations in the unit price at the reporting date.

	2024	2023
	Effect on profit after tax and equity	Effect on profit after tax and equity
	£m	£m
0.20% increase in unit price	0.1	0.1
0.20% decrease in unit price	(0.1)	(0.1)

Risk of outsourcer failure

The Company carries the risk that the outsourcers are no longer able to commit to providing the agreed services at the agreed costs. The risk of outsourcers becoming insolvent is continually monitored closely by the Operational Governance Team and considered to be minimal.

Operational risk

Previously the Company held legal title to a number of portfolios of residential mortgages. The economic exposures to the returns on the investments were with PLL, through its fully owned subsidiaries, Phoenix ER1 Limited (“PER1L”), Phoenix ER3 Limited (“PER3L”) and Phoenix ER4 Limited (“PER4L”). Administration of these portfolios was outsourced to third parties. However, the Company retained the ultimate liability for the administration, including all “Treating Customers Fairly” (“TCF”) requirements. In order to mitigate the risk of losses arising from legacy defects, the Company received an unlimited indemnity from Impala Holdings Limited (“IHL”), its immediate parent company, against such losses until such time as the Company ceased to hold legal title. Legal title was transferred to another Group company, Standard Life Lifetime Mortgages Limited, on 19 September 2024, since which date the Company has not held legal title to any such residential mortgages.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

MSA Risk

The Company faces the following risk as a result of the new MSA Agreement commencing on 1 January 2020.

Direct Expense Synergies Glidepath

Upon commencement of the MSA on 1st January 2020, there was a gap between the Company's income and expenses until the expense synergies have been fully achieved. The final expense synergies are not expected to be achieved until the end of 2024, and to mitigate this risk a series of "glidepath" payments have been included within the MSA.

Climate Risk

A Group-wide project was undertaken to enhance the Group's approach to managing the financial risks of climate change, including embedding climate risk considerations into the Group's overall Risk Management Framework. The project enables the Company to embed the requirements. Further details on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures (TCFD) within the Phoenix Group's 2024 Annual Report and Accounts.

27. Share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Further details regarding the determination of the fair value of equity-settled share-based transactions are set out below.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each period end, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity.

Share-based payments expense

The expense recognised for employee services receivable during the year is as follows:

	2024	2023
	£m	£m
Expense arising from equity-settled share-based payments transactions	19.7	14.5

Share-based payments schemes

Long-Term Incentive Plan ("LTIP")

The Group implemented a long-term incentive plan to retain and motivate its senior management group. The awards under this plan are in the form of nil-cost options to acquire an allocated number of ordinary shares.

Assuming no good leavers or other events which would trigger early vesting rights, the 2022, 2023 and 2024 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, persistency, relative total shareholder return ("TSR"), decarbonisation, Group in-force long-term free cash (2023 LTIP only), and return on shareholder value (2022 LTIP only). The 2024 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on capital, cumulative net flows, decarbonisation and relative TSR and diversity and inclusion.

For all LTIP awards, a holding period applies so that any LTIP awards to Executive Committee members for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award date. Dividends will accrue on LTIP awards until the end of the holding period. There are no cash settlement alternatives.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

2024 LTIP awards were granted on 28 March 2024 and are expected to vest on 28 March 2027. The 2021 LTIP awards vested on 12 March 2024. The 2022 awards will vest on 18 March 2025 and the 2023 awards will vest on 17 March 2026. The number of shares for all outstanding.

The fair value of these awards is estimated at the average share price in the three days preceding the date of grant, taking into account the terms and conditions upon which the instruments were granted. The fair value of the LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a "market condition". The fair value of the 2022, 2023 and 2024 TSR elements of the LTIP awards has been calculated using a Monte Carlo model. The inputs to this model are shown below:

	2024 TSR performance	2023 TSR performance	2022 TSR performance
	condition	condition	condition
Share price (£)	5.53	5.59	6.39
Expected term (years)	2.8	2.8	3.0
Expected volatility (%)	22	23	31
Risk-free interest rate (%)	4.00	3.31	1.21
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required.		

On 20 September 2024, 4 October 2023 and 19 August 2022, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2022, 2023 and 2024 LTIP awards respectively.

Each year, the Group issues a Chair's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. The awards are granted on the same dates as the core 2022, 2023 and 2024 LTIP awards. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum good/good performance grading. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting.

Deferred bonus share scheme ("DBSS")

Each year, part of the annual incentive for certain executives is deferred into shares of the parent company. The grant of these shares is conditional on the employee remaining in employment with the Group for a period of three years from the date of grant. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting. Dividends will accrue for DBSS awards over the three-year deferral period.

The 2024 DBSS was granted on 28 March 2024 and is expected to vest on 28 March 2027. The 2021 DBSS awards vested on 12 March 2024. The 2022 awards are expected to vest on 18 March 2025 and the 2023 awards are expected to vest on 17 March 2026.

The fair value of these awards is estimated at the average share price in the three days preceding the date of the grant, taking into account the terms and conditions upon which the options were granted.

Sharesave scheme

The sharesave scheme allows participating employees to save up to £500 each month for the UK scheme. The 2024 sharesave options were granted on 31st October 2024.

Under the sharesave arrangement, participants remaining in the Group's employment at the end of the three or five-year saving period are entitled to use their savings to purchase shares at a 20% discounted exercise price which is calculated using a three-day average share price immediately before invitations are issued to employees. Employees leaving the Group for certain reasons are able to use their savings to purchase shares if they leave prior to the end of their three or five-year period.

The fair value of the options has been determined using a Black-Scholes valuation model. Key assumptions within this valuation model include expected share price volatility and expected dividend yield.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

The following information was relevant in the determination of the fair value of the 2020 to 2024 UK sharesave options:

	2024 sharesave	2023 sharesave	2022 sharesave	2021 sharesave	2020 sharesave
Share price (£)	4.912	4.448	6.142	7.486	5.664
Exercise price (£) revised	4.18	3.78	5.09	5.89	4.97
Expected life (years)	3.1 and 5.1	3.1 and 5.1	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25
Risk-free rate (%) based on UK Government Gilts commensurate with the expected term of the award	4.2 (for 3.1 year scheme) and 4.1 (for 5.1 year scheme)	4.7 (for 3.1 year scheme) and 4.5 (for 5.1 year scheme)	2.0 (for 3.25 year scheme) and 1.9 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.7 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.5 (for 5.25 year scheme)
Expected volatility (%) based on the share price volatility to date	22	23	30	30	30
Dividend yield (%)	10.9	11.5	8.0	6.3	8.2

Movement in the year

The following tables illustrate the number of, and movements in LTIP, Sharesave and DBSS share options during the year:

2024	LTIP Schemes	SAYE Schemes	Deferred BSP
Outstanding at 1 January 2023	9,354,034	4,938,955	2,726,654
Business transfer in	58,589	-	-
Business transfer out	-	(835)	-
Granted during the year	4,264,929	1,068,848	2,102,724
Forfeited during the year	(1,915,299)	(477,663)	(38,449)
Cancelled during the year	-	(306,360)	-
Exercise during the year	(1,415,942)	(55,391)	(682,243)
Outstanding at 31 December 2023	10,346,311	5,167,554	4,108,686

2023	LTIP Schemes	SAYE Schemes	Deferred BSP
Outstanding at 1 January 2023	5,682,873	1,857,357	1,426,026
Business transfer in	2,656,254	1,189,183	768,102
Granted during the year	3,015,488	3,654,003	1,088,304
Forfeited during the year	(944,172)	(285,215)	(15,671)
Cancelled during the year	-	(823,416)	-
Exercise during the year	(1,056,409)	(652,957)	(540,107)
Outstanding at 31 December 2023	9,354,034	4,938,955	2,726,654

The weighted average fair value of options granted during the year was £3.97 (2023: £3.01).

The weighted average share price at the date of exercise for the rewards exercised is £5.18 (2023: £5.46).

The weighted average remaining contractual life for the rewards outstanding as at 31 December 2024 is 5.1 years (2023: 5.4 years).

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

28. Related party transactions

The Company enters into transactions with related parties in its normal course of business.

At 31 December 2023, the Company held legal title to a number of portfolios of residential, equity release mortgages with a total fair value of £608m for which it held ultimate liability to administer on behalf of PLL and its fully owned subsidiaries, Phoenix ER1 Limited, Phoenix ER3 Limited and Phoenix ER4 Limited. However, the economic exposure to the returns on the investment resided with PLL and any losses arising from legacy risk was mitigated by the receipt of a guarantee from IHL. The legal title of these loans was transferred to another Group company, Standard Life Lifetime Mortgages Limited, on 19 September 2024, since which date the Company has not held legal title to any such residential mortgages.

	2024	2023
	£m	£m
Income earned from related parties		
Interest receivable on loans to fellow subsidiaries	3.1	2.3
Managed services agreements income from fellow subsidiaries	1,715.1	1,040.8
Expenses charged by related parties		
Costs incurred from fellow subsidiaries	148.2	127.8
Amount due from related parties		
Loans due from fellow subsidiaries	51.5	51.5
Other amounts due from ultimate parent	306.9	248.8
Other amounts due from fellow subsidiaries	145.5	139.5
Amount due to related parties		
Other amounts due to fellow subsidiaries	101.4	56.4

At 31 December 2024, an amount of £12.7m is payable to fellow subsidiaries in respect of group relief (2023: £10.9m).

Key management compensation

The total compensation payable to employees classified as key management, which comprises the Directors, along with their transactions and holdings in pensions and savings products sold by the Group, is disclosed in note 7.

Payments made to Directors of the Company's parent companies amounted to £7.7m (2023: £7.0m) principally comprising remuneration and other benefits.

There were no dividends paid by the ultimate parent company to key management during the current and preceding year.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 30.

PHOENIX GROUP MANAGEMENT SERVICES LIMITED

29. Events after the balance sheet date

The sale of the owner-occupied property was agreed after the balance sheet date. There is no material change to the fair value reported and this is not an adjusting subsequent event.

In March 2025, the Group announced a change to their migration strategy for the c. 3m policies that were being migrated to the BaNCS platform. An agreement was reached with Wipro that will allow for continued development of the existing ALPHA platform that will meet the Group's and their customers' needs. The impact on the restructuring provisions on individual entities within the Group is being assessed. The impact at the Group level has been assessed and included within the half-year results. This is a non-adjusting event.

There are no further subsequent events which require adjustment and / or disclosure in these financial statements.

30. Other information

The Company's principal place of business is the United Kingdom. The Company's immediate parent is Impala Holdings Limited and its ultimate parent and ultimate controlling party 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.