PEARL LIFE HOLDINGS LIMITED

Company Registration Number: 4560778

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2020

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Strategic report

The Directors present the Strategic report of Pearl Life Holdings Limited ('the Company') for the year ended 31 December 2020.

Principal activities
The principal activity of the Company is that of an investment company. This will continue to be the principal activity for the foreseeable future.

Corporate activity

Result and dividends
The results of the Company for the year are shown in the income statement on page 10. The profit before tax was £212.3m (2019: £309.0m).

No dividends were paid during the current year (2019: £nil).

Position as at 31 December 2020
The net assets of the Company at 31 December 2020 were £3,312.1m (2019: £3,091.0m). The increase in the period reflects the total comprehensive income arising in the period of £221.1m (2019: £317.3m).

Principal risks and uncertainties
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 principal risks and uncertainties facing the Company are:

- interest rate risk, since the movement in interest rates will impact the value of interest payable by the Company;
- liquidity risk, as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements;
- credit risk, arising from the default of the counterparty to a particular financial asset, with the carrying value of the asset representing the Company's maximum exposure to credit risk; and
- longevity risk in the pension scheme, faster than expected improvements in life expectancy on the pensions of the members of the scheme.

The Company's exposure to all these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis.

Covid-19
Covid-19 has resulted in an unprecedented global crisis which has challenged each and every one of us as we undertake our day-to-day lives. The measures taken to reinforce the Company's resilience have ensured we have continued to provide services to stakeholders and generate cash throughout these uncertain times whilst safeguarding its financial strength. The Company's key priorities throughout the pandemic have been to support and ensure the safety of our colleagues, customers and of the communities in which we operate while protecting the long-term value of the Company.

The Board does not consider that the COVID-19 pandemic has impacted the Company's ability to continue as a going concern from either a financial or operational point of view.

The Company's exposure to these risks is monitored by the Board, which agrees policies for managing the risk on an ongoing basis.

Key Performance Indicators ('KPIs')
Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Section 172 Statement
Section 172 of the Companies Act 2006 requires each director of a company to act in the way he or she considers, 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.

Strategic report (continued)

During the year, the directors of Pearl Life Holdings Limited have applied section 172 of the Companies Act 2006 in a manner consistent with the overall purpose, values and strategic priorities of the Phoenix Group. When considering issues of strategic importance, and making key decisions about the company (or those that impact the wider Group), the directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

Examples of how the Board considered relevant matters set out in section 172 are outlined in the table below, demonstrating how the directors of Pearl Life Holdings Limited have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2020.

KEY BOARD DECISION	**Approval of year-ended 31 December 2019 ('YE19') Audit Exemption for subsidiaries**
STRATEGIC IMPORTANCE Creating value and delivering dependable cash generation	CONSIDERATION OF S172 MATTERS • The long-term impact of providing consent for four of its subsidiaries to take an audit exemption under s479 Companies Act 2006 as considered by the board, noting that the decision would apply for the financial year ended 31 December 2019 only and that the applicability of the exemption would be reviewed on an annual basis. • The board considered the impact of its decision in relation to savings with respect to internal resource and management time, in the interest of its employees. Approval of the audit exemption would reduce resource requirements due to fewer audits taking place. • Whilst considering the appropriateness of the audit exemption for relevant subsidiaries of the Company, the board considered the impact on the Group's customers. Although marginal, the proposal was expected to strengthen the Group's operational resilience, for the benefit of its customers. • The level of risk associated with each of the relevant subsidiaries seeking audit exemption, including their respective internal and external liabilities, was considered prior to approval for the subsidiaries to take the audit exemption (deemed to be low risk for each). This enabled the board to ensure that the decision would support the desirability for the Company to maintain a reputation for high standards of business conduct.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the audit exemption for relevant subsidiaries seeking to take advantage of the exemption under s.479 Companies Act 2006.
KEY BOARD DECISION	**Approval of YE19 Annual Accounts**
STRATEGIC IMPORTANCE Managing our capital position	CONSIDERATION OF S172 MATTERS • The Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE19 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long -term impact of the decision to approve the YE19 accounts therefore included the potential reliance of others on the going concern statement, which the Board considered to be relevant and accurate. • Prior to approving the YE19 accounts, the board considered the outcome of an external audit for the accounts. By ensuring that clearance had been received from the external auditor, the Board was able to ensure that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders. • A paper accompanying the accounts under consideration provided the Board with guidance in relation to the impact of its decision on customers, the community and the environment. The decision to approve the YE19 accounts was not considered to impact the Group's customers, wider stakeholders (including its Outsource Service Providers, suppliers and the wider community) nor the Group's ESG/sustainability agenda..
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE19 accounts.

In order to support the board's consideration of the matters set out in section 172 (1) (a)-(f) each proposal submitted to the board must include detail about directors' duties including those set out above.

On behalf of the Board

DocuSigned by:
Rakesh Thakrar
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R Thakrar
Director
23 September 2021

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2020.

The Company is incorporated in England as a private limited company. Its registration number is 4560778 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. Note 23 to the financial statements summarises 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 Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' (issued 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 twelve months from the signing date to 30 September 2022.

In order to meet the obligation under the current liabilities, the Company has been provided with a letter of support from its immediate parent undertaking, Impala Holdings Limited ("IHL"), with a value of £350.0m, until 31 December 2022.

Furthermore, the Company's subsidiaries, as listed in note 16, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide a letter of support to Phoenix Wealth Holdings Limited "(PWHL") for £2.5m. The Company will provide the financial support from the date of authorisation of the financial statements to 31 December 2022. The provision of such support has been included within the Company's own going concern assessment.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for twelve months from the signing date to 30 September 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors and their interests

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:

R Thakrar	
J McConville	Resigned 15 May 2020
S True	Resigned 23 July 2020
S Perowne	Appointed 28 August 2020
W Swift	Appointed 28 August 2020

Secretary

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

Statement on Business Relationships

Business relationships with customers

Although the Company provides a service mainly for the Phoenix Group (the 'Group'), it is the sponsoring employer in respect of the Abbey Life Staff Pension Scheme (the 'Scheme') and works closely with the trustees of the Scheme to ensure that the interests of the Scheme's members are safeguarded.

Business relationships with Partners/Suppliers

The "Service Companies" within Phoenix Group Holdings plc are the principal leads on maintaining relationships with suppliers.

Energy and carbon reporting

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

Disclosure of 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.

Directors' report (continued)

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 they ought to have taken as a Director to make themselves 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.

Re-appointment of auditors
In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young 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.

Statement of Corporate Governance Arrangements

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 Corporate Governance Principles for Large Private Companies 2018 (the 'Principles'). The following statement demonstrates how the Company has applied the Principles. This is reviewed and challenged by the Board at least annually.

Principle	**Summary**	**The Company's application of the Principles for the year ended 31 December 2020**
Principle One: 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's purpose, values, strategy and culture are aligned with those of its ultimate parent company, Phoenix Group Holdings plc ('PGH plc'). The Board has worked to support this during the year ended 31 December 2020.
Principle Two: 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 composition provides a suitable The Board composition has recently been adjusted to provide a suitable balance of skills, backgrounds, experience and knowledge. The Board is an appropriate size given the scale and complexity of the Company, particularly as PGH plc provides oversight of the Company's activities.
Principle Three: 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 board of PGH plc. Enhancements to the existing governance framework and structure were developed during the financial year ended 31 December 2020 and such enhancements will continue during the year to 31 December 2021, as appropriate.
Principle Four: 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 the risk appetite and long term strategy set by the Board of PGH plc.
Principle Five: 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 2020, the remuneration of Directors and senior managers was set and controlled by PGH plc.
Principle Six: 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.

Section 172 requirements
The information required by section 172 of the Companies Act 2006 is provided in the Strategic report.

On behalf of the Board

Rakesh Thakrar

R Thakrar
Director
23 September 2021

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor’s report to the members of Pearl Life Holdings Limited

Opinion

We have audited the financial statements of Pearl Life Holdings Limited (the ‘Company’) for the year ended 31 December 2020 which comprise statement of comprehensive income, the statement of financial position, statement of cash flows, the statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company’s affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- In our assessment of going concern, we have identified that the Company is dependant on support from its immediate parent Company, Impala Holdings Limited (“IHL”), to be able to meet its current liabilities. For the financial year ended 31 December 2020, Impala Holdings Limited (“IHL”) provided a letter of support with a value of £350m, until 31 December 2022. As part of our going concern procedures, we have assessed the ability of Impala Holdings Limited to support the Company for the period up to 30 September 2022.

- In conjunction with our walkthrough of the Company’s financial close process, we confirmed our understanding of management’s Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.

- We obtained management’s going concern assessment, which considers a period up to 30 September 2022. We have assessed and challenged the underlying assumptions used in management’s cashflow forecasts to 30 September 2022 and determined that the forecasts are appropriate to enable management to make an assessment.

- We have evaluated assumptions included in the cashflow forecast, including assessing the impact of COVID-19 on cashflow forecasts. We considered the appropriateness of the methods and data used to calculate the cashflow forecasts and determined through inspection and testing of the methodology and calculations that the methods used were appropriately sophisticated to be able to make an assessment for the Company.

- We reviewed the going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We observed that the Company’s operations have not been significantly impacted by COVID-19 from a revenue or profitability perspective, due to the nature of the entity being an investment Company for subsidiaries within the Phoenix Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up until 30 September 2022.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards and the Companies Act 2006) and the relevant direct tax regulation in the United Kingdom.

- We understood how the Company is complying with those frameworks by making inquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities and corroborated our inquiries through review of meeting minutes of the Board and noted no contradictory evidence.

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

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We identified the risk of material fraud related to management override of controls. We evaluated the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions.

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

Use of our report

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

DocuSigned by:
Ernst & Young LLP.
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Robin Enstone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

September 27, 2021 | 4:25:19 BST

Income statement
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Revenue			
Net investment income	3	279.6	318.2
Reversal of impairments of investments in subsidiaries	16	-	0.3
Total income		279.6	318.5
Expenses			
Impairment of investments in subsidiaries	16	(59.7)	-
Administrative expenses	7	(1.2)	(1.4)
Total operating expenses		(60.9)	(1.4)
Profit before finance costs and tax		218.7	317.1
Finance costs	8	(6.4)	(8.1)
Profit for the year before tax		212.3	309.0
Tax credit	9	0.4	11.2
Profit for the year attributable to owners		212.7	320.2

Statement of comprehensive income
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Profit for the year		212.7	320.2
Other comprehensive income			
Re-measurements of net defined benefit liability	12	10.1	(3.5)
Deferred tax (charge) / credit	9	(1.7)	0.6
Total other comprehensive income		8.4	(2.9)
Total comprehensive income for the year attributable to owners		221.1	317.3

Statement of financial position
as at 31 December 2020

	Notes	2020 £m	2019 £m
Equity attributable to owners			
Share capital	10	150.0	150.0
Capital contributions	11	1,701.5	1,701.5
Retained earnings		1,460.6	1,239.5
Total equity		3,312.1	3,091.0
Non-current liabilities			
Pension scheme liability	12	61.5	74.8
Long-term borrowings	13	33.5	281.5
Total non-current liabilities		95.0	356.3
Current liabilities			
Short-term borrowings	13	253.2	-
Provisions	14	-	0.1
Amounts owed to Group entities		178.9	7.6
Taxation payable		0.1	-
Total current liabilities		432.2	7.7
Total liabilities		527.2	364.0
Total equity and liabilities		3,839.3	3,455.0
Non-current assets			
Investments in subsidiaries	16	2,794.2	2,625.9
Loans and receivables	17	-	743.6
Deferred tax asset	15	23.4	24.3
Financial assets	20	49.9	48.5
Total non-current assets		2,867.5	3,442.3
Current assets			
Loans and receivables	17	764.1	-
Amounts owed by Group entities	18	-	3.3
Accrued income	19	0.9	0.9
Financial assets	20	193.5	1.1
Cash and cash equivalents	21	13.3	7.1
Taxation recoverable		-	0.3
Total current assets		971.8	12.7
Total assets		3,839.3	3,455.0

On behalf of the Board

DocuSigned by:
Rakesh Thakrar
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R Thakrar
Director
23 September 2021

Statement of cash flows
for the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Cash generated by operations	22	170.8	31.4
Net cash flows from operating activities		170.8	31.4
Cash flows from investing activities			
Loans advanced to Group entities	17	(3.0)	(250.8)
Repayment of loans by Group entities	17	-	73.7
Dividends received from subsidiaries	3	260.0	300.0
Acquisition of financial assets	20	(192.4)	-
Proceeds from disposal of financial assets		-	0.2
Capital contribution made to subsidiary	16	(228.0)	(98.2)
Net cash flows (used in)/from investing activities		(163.4)	24.9
Cash flows from financing activities			
Interest paid on borrowings	24	(1.2)	(11.8)
Repayment of borrowings to Group entities	13	-	(63.3)
Net cash flows used in financing activities		(1.2)	(75.1)
Net increase/(decrease) in cash and cash equivalents		6.2	(18.8)
Cash and cash equivalents at the beginning of the year		7.1	25.9
Cash and cash equivalents at the end of the year		13.3	7.1

Supplementary disclosures on cash flow from operating activities

		2020 £m	2019 £m
Interest received		2.1	2.8

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

	Share capital (note 10) £m	Capital contributions (note 11) £m	Retained earnings £m	Total £m
At 1 January 2020	150.0	1,701.5	1,239.5	3,091.0
Total comprehensive income for the year	-	-	221.1	221.1
At 31 December 2020	150.0	1,701.5	1,460.6	3,312.1

	Share capital (note 10) £m	Capital contributions (note 11) £m	Retained earnings £m	Total £m
At 1 January 2019	150.0	1,701.5	922.2	2,773.7
Total comprehensive income for the year	-	-	317.3	317.3
At 31 December 2019	150.0	1,701.5	1,239.5	3,091.0

Both the capital contributions and the retained earnings of the Company are considered to be distributable reserves.

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

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

The financial statements are separate financial statements and the exemption in paragraph 10 of IAS 27 *Consolidated and Separate Financial Statements* and section 401 of the Companies Act 2006 have been used not to present consolidated financial statements.

In order to meet the obligation under the current liabilities, the Company has been provided with a letter of support from its immediate parent undertaking, Impala Holdings Limited ("IHL"), with a value of £350m, until 31 December 2022.

Furthermore, the Company's subsidiaries, as listed in note 16, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide a letter of support to Phoenix Wealth Holdings Limited "(PWHL") for £2.5m. The Company will provide the financial support from the date of authorisation of the financial statements to 31 December 2022. The provision of such support has been included within the Company's own going concern assessment.

Having assessed the principal risks and the other matters, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The potential impact of Covid-19 has been considered in the strategic report.

The Company's immediate parent is Impala Holdings Limited whose Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. The results of the Company are consolidated into the accounts of the Company's ultimate parent Phoenix Group Holdings Public Limited Company ('PGH plc'), a company incorporated in the United Kingdom. The registered address of PGH plc is Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.

Statement of compliance
The financial statements for the year ended 31 December 2020 have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in sterling (£) rounded to the nearest £0.1m 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 international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Critical accounting estimates and judgements

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimate is the determination of impairment tests for investments in and loans to Group entities.

Impairment of investments in subsidiaries and loans to Group entities
Investments in subsidiaries and loans to Group entities are subject to regular impairment reviews when management are aware of objective evidence of impairment. Impairments of investments in subsidiaries are measured at the difference between the carrying value of a particular asset and its value in use (life businesses) and recoverable amount (other holding entities). Impairments in loans to Group entities are measured as the difference between the carrying value and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate. Impairments are recognised in the statement of comprehensive income in the period in which they occur. The Company's policies in relation to impairment testing of investments in subsidiaries and loans to Group entities are detailed in accounting policies (f) and (g) respectively.

1. Accounting policies (continued)

Fair value of financial instruments
The fair values of financial assets are classified and accounted for as set out in accounting policy (i). Where possible, financial assets are valued on the basis of listed market prices by reference to quoted market bid prices without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

Pension benefit assets and liabilities
The valuation of pension benefit assets and liabilities is determined using actuarial valuations that depend upon a number of assumptions, including discount rate, inflation and longevity. External actuarial advice is taken with regard to setting the financial assumptions to be used in the valuation. As defined benefit pension schemes are long term in nature, such assumptions can be subject to significant uncertainty. Further detail on these estimates and the sensitivity of the defined benefit obligation to key assumptions is provided in note 12.

Impairment of financial assets
The impairment provisions for financial assets disclosed in accounting policy (i) are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see accounting policy (i).

Collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies. These instruments are recognised initially at fair value (transaction costs are expensed) and subsequently are re-measured to fair value.

(c) Borrowings
Interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised through the statement of comprehensive income over the period of the borrowing using the effective interest method.

(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 that 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 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. Notes 9 and 15 reflect the income tax and deferred taxation disclosures respectively.

(e) Employee benefits

Defined contribution pension plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

1. Accounting policies (continued)

Defined benefit pension schemes
The net surplus or deficit (the economic surplus or deficit) in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

The Company determines the net interest expense or income on the net defined benefit asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the opening net defined benefit asset/liability. The discount rate is the yield at the period end on AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

The movement in the net defined benefit asset/liability is analysed between the service cost, past service cost, curtailments and settlements (all recognised within administrative expenses in the consolidated income statement), the net interest cost on the net defined benefit asset/liability, including any reimbursement assets (recognised within net investment income in the consolidated income statement), re-measurements of the net defined asset/liability (recognised in other comprehensive income) and employer contributions.

(f) Investments in subsidiaries
Investments in shares in subsidiaries are carried in the statement of financial position at cost less impairment.

The Company assesses at each reporting date whether an investment in a subsidiary or group of investments in subsidiaries held at cost is impaired. The Company first assesses whether objective evidence of impairment exists. If objective evidence of impairment exists the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount as an expense in the statement of comprehensive income. The impact of any impairments recognised in respect of investments in subsidiaries is set out in note 16.

(g) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the statement of comprehensive income through the amortisation process.

The Company assesses at each reporting date whether a loan or receivable is impaired. The Company first assesses whether objective evidence of impairment exists. Evidence of impairment needs to be significant or prolonged to determine that objective evidence of impairment exists. Evidence of impairment is obtained by comparing the carrying value of the loan and receivable with the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate.

(h) 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.

(i) Financial assets

Classification of Financial assets
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.

These 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. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Financial assets measured at amortised cost are included in note 17 Loans and receivables.

There has been no change in the classification of debt securities and collective investment schemes which continue to be designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value.

1. Accounting policies (continued)

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

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ('ECL'). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs. See note 23 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 taking into account which counter parties are included in the reporting period.

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

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

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

(j) 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.

(k) Share capital and capital contributions

Ordinary share capital
The Company has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in the statement of changes in equity, net of tax.

Capital contributions
Capital contributions received by the Company and which contain no restrictions are recognised directly in the statement of changes in equity as a distributable reserve.

(l) Income recognition
Net investment income comprises interest, dividends and fair value gains and losses on financial assets.

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method. Dividend income is recognised 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 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.

(m) 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.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

(n) Finance costs
Interest payable is recognised in the statement of comprehensive income as it accrues and is calculated using the effective interest method.

1. Accounting policies (continued)

(o) Events after the reporting period

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

2. Financial information

The financial statements for the year ended 31 December 2020, set out on pages 10 to 35 were authorised by the Board of Directors for issue on 23 September 2021.

Adoption of New Accounting Pronouncements in 2020

In preparing the financial statements, the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB'):

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7): The amendments have arisen following the phasing out of interest-rate benchmarks such as interbank offered rates ('IBOR'). S These amendments have no impact on the Company; and

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendments clarify the definition of material and how it should be applied.

New Accounting Pronouncements Not Yet Effective

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (1 January 2021). The changes introduced in Phase 2 of the Interest Rate Benchmark Reform project relate to the modification of financial assets, financial liabilities and lease liabilities (introducing a practical expedient for modifications required by the IBOR reform), specific hedge accounting requirements to ensure hedge accounting is not discontinued solely because of the IBOR reform, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. There is not expected to be an impact for the Company from implementing these amendments but a review will be undertaken in 2021 to confirm this.

Other new or amended accounting standards issued by the IASB are not considered to have a significant impact on the Company's financial statements or accounting policies.

Effect of Brexit

On 31 January 2020, the UK left the European Union ('EU') and consequently EFRAG will no longer endorse IFRSs for use in the UK. Legislation is in place to onshore and freeze EU-adopted IFRSs and from 1 January 2021 the Company will apply UK-adopted International Accounting Standards. The powers to endorse and adopt IFRSs will be delegated by the Secretary of State to the UK Endorsement Board once the draft statutory instrument, which was laid before Parliament on 1 February 2020 is approved. The following amendments to standards listed above have been endorsed for use in the UK by the Secretary of State:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 Financial Instruments

3. Net investment income

	2020 £m	2019 £m
Investment income		
Interest income on loans and receivables	17.5	14.9
Interest income on financial assets designated at fair value through profit or loss on initial recognition	2.1	2.8
Dividend income	260.0	300.0
Net expected return on pension scheme (see note 12)	(1.5)	(2.0)
	278.1	315.7
Fair value (losses)/gains		
Financial assets at fair value through profit or loss		
Designated upon initial recognition	1.5	2.5
Net investment income	279.6	318.2

Interest income on loans and receivables includes interest of £17.5m (2018: £14.9m) on loans to Group entities.

Dividend income includes cash dividends received from subsidiaries of £260.0m (2019: £300.0m).

4. Employee information

The Company has no employees. Services are provided by Pearl Group Management Services Limited and Pearl Group Services Limited.

5. Directors' remuneration

The Directors received the following for their services as Directors of the Company.

	2020 £	2019 £
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	141,712	105,934
Share-based payments	101,554	67,050
Contributions to money purchase pension scheme	2,391	989
Number of Directors who are members of a money purchase pension scheme	3	1
Number of Directors who exercised share options during the year	2	3

The Directors are employed by either Pearl Group Management Services Limited or Pearl Group Services Limited. The total compensation paid to the Directors of the Company relates to services to the Company, irrespective of which entity within the Phoenix Group has paid the compensation.

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

6. Auditors' remuneration

The remuneration of the auditors of the Company included in the financial statements was £0.1m (2019: £0.1m) which is borne by the Company's parent, Impala Holdings Limited.

7. Administrative expenses

	2020 £m	2019 £m
Release of restructuring provision (see note 14)	(0.1)	-
Pension service costs (see note 12)	0.2	-
Pension scheme administration costs (see note 12)	1.1	1.3
Other	-	0.1
	1.2	1.4

8. Finance costs

	2020 £m	2019 £m
Interest expense on borrowings at amortised cost	6.4	8.1

Interest expense on borrowings includes interest of £6.4m (2019: £8.1m) on loans from Group entities.

9. Tax credit

The standard rate of UK corporation tax for the accounting period is 19%.

Following the cancellation of the planned tax rate reduction from 19% to 17% announced in the March 2020 Budget, UK deferred tax assets and liabilities, where provided, are reflected at a rate of 19%.

An increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021.

9.1. Current year tax credit

	2020 £m	2019 £m
Current tax:		
UK Corporation tax	0.4	(8.3)
Adjustment in respect of prior years	-	5.1
Total current tax	0.4	(3.2)
Deferred tax:		
Origination and reversal of temporary differences	1.9	(0.8)
Change in the rate of UK Corporation tax	(2.7)	0.1
Adjustment in respect of prior years	-	(7.3)
Total deferred tax	(0.8)	(8.0)
Total tax credit	(0.4)	(11.2)

9. Tax credit (continued)

9.2. Tax charged/(credited) to other comprehensive income

	2020 £m	2019 £m
Deferred tax on re-measurements of net defined benefit schemes	1.7	(0.6)

Reconciliation of tax credit

	2020 £m	2019 £m
Profit before tax	212.3	309.0
Tax at standard UK rate of 19.00% (2019: 19%)	40.3	58.7
Non-taxable income	(49.4)	(56.8)
Adjustment to tax charge in respect of prior years	-	(2.2)
Non-taxable reversal of impairments of investments in subsidiaries	11.3	(0.1)
Movement in unprovided deferred tax	-	(10.9)
Deferred tax rate change	(2.6)	0.1
Total tax credit for the year	(0.4)	(11.2)

10. Share capital

	2020 £m	2019 £m
Issued and fully paid:		
150,000,002 (2018: 150,000,002) ordinary ‘A’ shares of £1 each	150.0	150.0

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

11. Capital contributions

	2020 £m	2019 £m
At 1 January and 31 December	1,701.5	1,701.5

Capital contributions have been treated as a distributable reserve with no restrictions.

12. Pension scheme

Scheme details

On 30 June 2017, the Abbey Life Staff Pension Scheme (the ‘Scheme’) was transferred from Abbey Life Assurance Company Limited, a fellow subsidiary, to the Company. The Company assumed the Scheme covenant together with all obligations of the Scheme following implementation of the transfer.

The Scheme is a registered occupational pension scheme, set up under Trust, and legally separate from the Company. The Scheme is administered by Abbey Life Trust Securities Limited (the ‘Trustee’), a corporate trustee. There are three Trustee Directors, one of whom is nominated by the Scheme members and two of whom are appointed by the Company. The Trustee is responsible for administering the Scheme in accordance with the Trust Deed and rules and pensions laws and regulations.

The Scheme is closed to new entrants. The last active member ceased employment during 2018 and consequently the Scheme no longer recognises a current service cost.

12. Pension scheme (Continued)

The valuation has been based on an assessment of the liabilities of the Scheme as at 31 December 2020 undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

Funding

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 March 2018 and showed a deficit of £98.0m.

Prior to 19 November 2018, the following schedule of contribution was applicable from 1 July 2017 and the Company was required to pay 39.5% of gross pensionable earnings and the following amounts in respect of deficit contributions:

- a lump sum of £25.0 million into the Scheme settled on 31 July 2017;
- fixed monthly contributions of £400,000 payable up to 30 June 2026 and monthly contributions of £83,552 in respect of administration expenses which are payable up to 30 June 2028 and will increase annually in line with the Retail Prices Index assumption; and
- annual payments of £4.0 million into the 2016 Charged Account by 31 July each year, with the first payment being made on 31 July 2017, and the last payment due by 31 July 2025.

Following the completion of the triennial funding valuation a revised schedule of contributions was agreed effective from 19 November 2018, for the Company to pay the following amounts in respect of deficit contributions:

- fixed monthly contributions of £400,000 payable up to 30 June 2026;
- monthly contributions in respect of administration expenses of £85,640 payable up to 31 March 2019, then £100,000 payable up to 30 June 2028 increasing annually in line with the Retail Prices Index assumption; and
- annual payments of £4.0 million into the 2016 Charged Account by 31 July each year, with the next payment being made by 31 July 2019, and the last payment due by 31 July 2025.

The Charged Accounts are Escrow accounts which were created in 2010 to provide the Trustees with additional security in light of the funding deficit. The amounts held in the Charged Accounts do not form part of the Scheme assets.

Under the terms of the 2013 Funding Agreement dated 28 June 2013, the funding position of the Scheme will be assessed as at 31 March 2021. A payment will be made from the 2013 Charged Account to the Scheme if the results of the assessment reveal a shortfall calculated in accordance with the terms of the 2013 Funding Agreement. The amount of the payment will be the lower of the amount of the shortfall and the amount held in the 2013 Charged Account.

Under the terms of the 2016 Funding Agreement dated 23 June 2016, the funding position of the Scheme will be assessed as at 31 March 2027. A payment will be made from the 2016 Charged Account to the Scheme if the results of the assessment reveal a shortfall calculated in accordance with the terms of the 2016 Funding Agreement. The amount of the payment will be the lower of the amount of the shortfall and the amount held in the 2016 Charged Account.

12. Pension scheme (continued)

Summary of amounts recognised in the financial statements

The amounts recognised in the financial statements are as follows:

	Fair Value of Scheme Assets £m	Defined benefit obligation £m	Total £m
At 1 January 2020	254.3	(329.1)	(74.8)
Interest income/(expense)	5.0	(6.5)	(1.5)
Administrative expenses	(1.1)	-	(1.1)
Past service cost	-	(0.2)	(0.2)
Included in profit or loss	3.9	(6.7)	(2.8)
Re-measurements:			
Return on plan assets excluding amounts included in interest income	27.7	-	27.7
Gain from change in financial assumptions	-	5.5	5.5
Loss from change in demographic assumptions	-	(31.2)	(31.2)
Experience gains	-	8.1	8.1
Included in other comprehensive income	27.7	(17.6)	10.1
Employer's contributions	6.0	-	6.0
Benefit payments	(12.2)	12.2	-
At 31 December 2020	279.7	(341.2)	(61.5)

	Fair Value of Scheme Assets £m	Defined benefit obligation £m	Total £m
At 1 January 2019	233.7	(307.7)	(74.0)
Interest income/(expense)	6.4	(8.4)	(2.0)
Administrative expenses	(1.3)	-	(1.3)
Included in profit or loss	5.1	(8.4)	(3.3)
Re-measurements:			
Return on plan assets excluding amounts included in interest income	25.9	-	25.9
Gain from change in financial assumptions	-	(32.6)	(32.6)
Gain from change in demographic assumptions	-	1.5	1.5
Experience gains	-	1.7	1.7
Included in other comprehensive income	25.9	(29.4)	(3.5)
Employer's contributions	6.0	-	6.0
Benefit payments	(16.4)	16.4	-
At 31 December 2019	254.3	(329.1)	(74.8)

12. Pension scheme (continued)

Scheme assets

The distribution of the scheme assets at the end of the year was as follows:

	Total 2020 £m	Of which not quoted in an active market 2020 £m	Total 2019 £m	Of which not quoted in an active market 2019 £m
Diversified income fund	118.1	-	105.3	-
Corporate bonds	86.1	-	71.2	-
Derivatives	2.2	2.2	(9.9)	(9.9)
Fixed interest government bonds	69.3	-	72.7	-
Cash and cash equivalents	4.0	-	15.0	-
Pension scheme assets	279.7	2.2	254.3	(9.9)

The actual return on plan assets was a gain of £32.7m (2019: loss of £32.3m).

Derivative values above include interest rate and inflation rate swaps and foreign exchange forward contracts. The Scheme has hedged its inflation risk through an inflation swap. It is currently exposed to interest rate risk to the extent that the holdings in bonds are mismatched to the scheme liabilities. The long-term intention is to fully hedge this risk through an interest rate swap. Further key risks that will remain are longevity and credit spread exposures.

Defined benefit obligation

The calculation of the defined benefit obligation can be allocated to the Scheme's members as follows:
- Deferred scheme members: 49% (2019: 49%); and
- Pensioners: 51% (2019: 51%)

The weighted average duration of the defined benefit obligation at 31 December 2020 is 17 years (2019: 17 years).

Principal assumptions

The principal financial assumptions of the Abbey Life Scheme are set out below.

	2020 %	2019 %
Rate of increase for pensions in payment (5% per annum or RPI if lower)	2.85	2.90
Rate of increase for deferred pensions (CPI subject to caps)	2.10	2.20
Discount rate	1.40	2.00
Inflation – RPI	1.90	3.00
Inflation – CPI	2.10	2.20

The discount rate and inflation assumptions have been determined by considering the shape of the appropriate yield curves and the duration of the Scheme liabilities. This method determines an equivalent single rate for each of the discount and inflation rates, which is derived from the profile of projected benefit payments.

It has been assumed that post-retirement mortality is in line with a scheme-specific table which was derived from the actual mortality experience in recent years, performed as part of the actuarial funding valuation as at 31 March 2018, using the SAPS S2 'Light' tables for males and for females based on year of use. Future longevity improvements are based on amended CMI 2019 Core Projections (2019: CMI 2018 Core Projections) and a long-term rate of improvement of 1.70% (2019: 1.60%) per annum for males and 1.20% (2019: 1.30%) per annum for females.

Under these assumptions the average life expectancy from retirement for a member currently aged 45 retiring at age 65 is 25.4 years and 26.5 years for male and female members respectively (2019: 25.7 years and 27.2 years respectively).

12. Pension scheme (continued)

A quantitative sensitivity analysis for significant actuarial assumptions is shown below:

2020							
Assumptions	Base	Discount rate		Retail Price Index		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
	£m	£m	£m	£m	£m	£m	£m
Impact on the defined benefit obligation at 31 December 2020	341.2	(14.4)	15.0	10.4	(11.5)	12.6	(12.6)

2019							
Assumptions	Base	Discount rate		Retail Price Index		Life expectancy	
Sensitivity level		25bps increase	25bps decrease	25bps increase	25bps decrease	1 year increase	1 year decrease
	£m	£m	£m	£m	£m	£m	£m
Impact on the defined benefit obligation at 31 December 2019	329.1	(12.9)	14.3	9.8	(8.7)	12.3	(12.3)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the statement of financial position.

Guaranteed Minimum Pension ('GMP') Equalisation

GMP is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension prior to 6 April 1997. Historically, there was an inequality of benefits between male and female members who have GMP. A High Court case concluded on 26 October 2018 and confirmed that GMPs need to be equalised.

During the year, following a review of the current methodology and assumptions the allowance for the potential cost of equalising GMP has been updated and the resulting reductions in the defined benefit obligation of £4.0 million for the Scheme have been recognised in other comprehensive income as an experience gain.

13. Borrowings

	Carrying value		Fair value	
	2020	2019	2020	2019
	£m	£m	£m	£m
Amounts owed to Group entities				
(i) Loan from Pearl Group Management Services Limited	51.5	51.5	52.0	52.7
(ii) Loan from Phoenix Life Limited	201.7	197.0	201.7	197.0
(iii) Loan from Phoenix Life Holdings Limited	33.5	33.0	33.5	33.0
Total borrowings	286.7	281.5	287.2	282.7
Amount due for settlement within 12 months	253.2	-		
Amount due for settlement after 12 months	33.5	281.5		

The Company has received the following loans from either subsidiaries or fellow group entities:

(i) With effect from 31 December 2016, the Company and PGMS entered into a loan agreement with an initial advance of £51.5m. This loan accrues interest at six months LIBOR plus a margin of 1.75% which is payable semi-annually on 30 June and 31 December. The loan has a maturity date of 31 December 2021. Interest of £1.2m was paid on this loan during the year (2019: £1.4m).

13. Borrowings (continued)

(ii) On 20 December 2016, the Company received a loan with an initial advance of £182.7m from Phoenix Life Limited ('PLL'). The loan accrues interest at six month LIBOR plus a margin of 1.80% which is capitalised semi-annually on 30 June and 31 December. The loan had a maturity date of 28 February 2021. Interest of £4.7m was capitalised during the year (2019: £5.3m).

On 8 February 2021, the loan was repaid in full by the Company. The amount of the repayment, including accrued interest, was £202.1m.

(iii) On 23 March 2018, the Company received a loan with an initial advance of £32.0m from Phoenix Life Holdings Limited ('PhLHL'). The loan accrues interest at six month LIBOR plus a margin of 0.92% which is capitalised semi-annually on 30 June and 31 December. The loan has a maturity date of 31 December 2022. Interest of £0.5m was capitalised during the year (2019: £0.6m).

Reconciliation of borrowings

The table below details the changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

2020		Cash flow items		Non cash flow items	
	1 Jan £m	New loans £m	Loans repaid £m	Interest capitalised £m	31 Dec £m
Loans from PGMS	51.5	-	-	-	51.5
Loan from PLL	197.0	-	-	4.7	201.7
Loan from PhLHL	33.0	-	-	0.5	33.5
Total borrowings	281.5	-	-	5.2	286.7

2019		Cash flow items		Non cash flow items	
	1 Jan £m	New loans £m	Loans repaid £m	Interest capitalised £m	31 Dec £m
Loans from PGMS	114.8	-	(63.3)	-	51.5
Loan from PLL	191.7	-	-	5.3	197.0
Loan from PhLHL	32.4	-	-	0.6	33.0
Total borrowings	338.9	-	(63.3)	5.9	281.5

Determination of fair value and fair value hierarchy of borrowings

Borrowings are categorised as Level 3 financial instruments. The fair value of borrowings 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 borrowings in 2020 or 2019.

There were no fair value gains or losses recognised in other comprehensive income.

14. Provisions

	2020 £m	2019 £m
Restructuring provision		
At 1 January	0.1	3.5
Release of provision	(0.1)	-
Utilised during the year	-	(3.4)
At 31 December	-	0.1
Amount due for settlement within 12 months	-	0.1
Amount due for settlement after 12 months	-	-

Following the acquisition of the AXA Wealth's pension and protection businesses in 2016, the Phoenix Group committed to the restructuring of these businesses to align their operating model with that of the other Group companies. These activities included the separation and integration activities associated with the exiting of interim services agreements entered into with the vendor, and costs involved with the implementation of the Group's preferred outsourcer model. The balance of the provision of £0.1m was released during 2020.

15. Tax assets and liabilities

	2020 £m	2019 £m
Deferred Tax		
Deferred tax asset	23.4	24.3

Movement in deferred tax assets

Year ended 31 December 2020

	1 Jan £m	Recognised in the income statement £m	Recognised in comprehensive income	31 Dec £m
Trading losses	11.6	0.1	-	11.7
Pension scheme	12.7	0.7	(1.7)	11.7
	24.3	0.8	(1.7)	23.4

Year ended 31 December 2019

	1 Jan £m	Recognised in the income statement £m	Recognised in comprehensive income	31 Dec £m
Trading losses	2.9	8.7	-	11.6
Accelerated capital allowances	0.2	(0.2)	-	-
Pension scheme	12.6	(0.5)	0.6	12.7
	15.7	8.0	0.6	24.3

15. Tax assets and liabilities (continued)

	2020 £m	2019 £m
Deferred Tax		
Deferred tax assets have not been recognised in respect of:		
Capital losses carried forward	1.3	1.1
Total deferred tax assets not recognised	1.3	1.1

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

As a result of the corporation tax rate change announced in March 2021, the deferred tax asset in existence at the end of 2020 is expected to increase in value by approx. £7m.

16. Investments in subsidiaries

	2020 £m	2019 £m
Cost		
At 1 January	5,824.3	5,726.1
Capital contributions made to subsidiaries	228.0	98.2
At 31 December	6,052.3	5,824.3
Impairment		
At 1 January	(3,198.4)	(3,198.7)
Impairment charge	(59.7)	-
Reversal of impairment charge	-	0.3
At 31 December	(3,258.1)	(3,198.4)
Carrying amount		
At 31 December	2,794.2	2,625.9

During the year, the Company paid capital contributions of £228.0m (2019: £98.2m) to Phoenix Life Limited.

Where indicators of impairment have been identified the carrying value of the Company's investments in its subsidiaries has been tested for impairment at the period end. In 2020, impairments of £59.7m (2019: £nil) were recognised to align the carrying value of certain investments to their recoverable amount. Previously recognised impairments of £nil were released during the year (2019: £0.3m). The impairment provisions were reassessed during the year, resulting in a reversal of previously recognised impairments.

The value in use has been used as the recoverable amount. The value in use for subsidiaries which are regulated entities has been determined using Solvency II own funds. For all other subsidiaries, value in use is determined using net assets.

16. Investments in subsidiaries (continued)

The subsidiaries of the Company at 31 December 2020 were as follows:

	Country of incorporation and principal place of operation	Class of shares held (wholly-owned unless otherwise indicated)
Abbey Life Trust Securities Limited *	UK	Ordinary shares of £1
Century Group Limited *	UK	Ordinary shares of £1
Century Trustee Services Limited *	UK	Ordinary shares of £1
Evergreen Trustee Limited *	UK	Ordinary shares of £1
Impala Loan Company 1 Limited †	UK	Ordinary shares of £1
PA (GI) Limited *	UK	Ordinary shares of £0.01 and Deferred shares of £0.25
Pearl AL Limited †	UK	Ordinary shares of £1
Pearl RLH Limited †	UK	Ordinary shares of £0.10
PG Dormant (No 4) Limited *	UK	Ordinary shares of £1
PG Dormant (No 5) Limited *	UK	Ordinary shares of £1
PG Dormant (No 6) Limited *	UK	Ordinary shares of £1
Phoenix and London Assurance Limited *	UK	Ordinary shares of £1
Phoenix Life Limited *	UK	Ordinary shares of £1
Phoenix Wealth Holdings Limited *	UK	Ordinary shares of £1
Phoenix SCP Limited	UK	Ordinary shares of £1
Phoenix SL Direct Limited *	UK	Ordinary shares of £1
Scottish Mutual Assurance Limited †	UK	Ordinary shares of £0.10
SL Liverpool plc *	UK	Ordinary shares of £1
SPL (Holdings) Limited †	UK	Ordinary shares of £1
SPL (Holdings 1) Limited †	UK	Ordinary shares of £1
The Scottish Mutual Assurance Society †	UK	Limited by guarantee

The Company also owns the following principal subsidiaries through the subsidiary companies listed above:

Phoenix ER1 Limited *	UK	Ordinary shares of £1
Phoenix ER3 Limited *	UK	Ordinary shares of £1
Phoenix ER4 Limited *	UK	Ordinary shares of £1
Phoenix ER5 Limited *	UK	Ordinary shares of £1
Phoenix ER6 Limited *	UK	Ordinary shares of £1
Phoenix SPV1 Limited	UK	Ordinary shares of £1
Phoenix SPV2 Limited	UK	Ordinary shares of £1
Phoenix SPV3 Limited	UK	Ordinary shares of £1
Phoenix SPV4 Limited	UK	Ordinary shares of £1
Phoenix Unit Trust Managers Limited *	UK	Ordinary shares of £1
SunLife Limited *	UK	Ordinary shares of £1

The companies are principally engaged in the transaction of long term insurance or related business. All holdings represent 100% of the normal issued share capital, unless stated otherwise.

* : The registered address of these companies is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.
† : The registered address of these companies is Abbey National House, 301 St Vincent Street, Glasgow, G2 5HN.

17. Loans and receivables

	Carrying value		Fair value	
	2020	2019	2020	2019
	£m	£m	£m	£m
Loans to Group entities at amortised cost				
Loan to Impala Holdings Limited ('IHL')	764.1	743.6	764.1	743.6
Amounts due within 12 months	764.1	-		
Amounts due after 12 months	-	743.6		

On 31 December 2016, the Company and IHL entered into a new loan agreement, with an initial advance of £1,161.8m. This loan accrues interest of six month LIBOR plus 1.75% and has a maturity date of 31 December 2021. During the year, advances of £3.0m were made to IHL (2019: £250.8m), IHL repaid £nil (2019: £73.7m) and interest of £17.5m was capitalised (2019: £14.9m). Subsequent to the year-end, the Company and IHL agreed certain amendments to the loan, which included extending the maturity date of the loan to 31 December 2026.

The loan is not considered to be past due or impaired.

Determination of fair value and fair value hierarchy of loans to Group entities

Loans and receivables are categorised as Level 3 financial instruments. The fair value of loans to Group entities 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 to Group entities in 2020 or 2019.

There were no fair value gains or losses recognised in other comprehensive income.

18. Amounts owed by Group entities

	2020	2019
	£m	£m
Amounts due by fellow subsidiaries, including Group relief	-	3.3

No amounts are considered to be past due or impaired. All amounts are due for settlement within twelve months.

19. Accrued income

	2020	2019
	£m	£m
Accrued interest on debt securities	0.9	0.9

20. Financial assets

	2020	2019
	£m	£m
Financial assets at fair value through profit or loss		
Designated upon initial recognition		
Debt securities	49.9	48.5
Collective investment schemes	193.5	1.1
	243.4	49.6
Amounts due within 12 months	193.5	1.1
Amounts due after 12 months	49.9	48.5

20. Financial assets (continued)

Debt securities of £49.9m (2019: £48.5m) are held in the 2013 and 2016 Charged Accounts in favour of the Abbey Life Staff Pension Scheme – see note 12.

Determination of fair value and fair value hierarchy of financial assets

Level 1 financial instruments
The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. The quoted market price used for financial assets is the current bid price on the trade date. If the bid price is unavailable a 'last traded' approach is adopted. For collective investment schemes and shares in open ended investment companies, fair value is by reference to published bid values.

Level 2 financial instruments
Financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs, are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes. The fair value of unquoted equities, over the counter derivatives, loans and deposits and collective investment schemes, where published bid prices are not available, are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

Year ended 31 December 2020	Level 1 £m	Level 2 £m	Total £m
Financial assets at fair value through profit or loss			
Debt securities	18.3	31.6	49.9
Collective investment schemes	193.5	-	193.5
	211.8	31.6	243.4

Year ended 31 December 2019	Level 1 £m	Level 2 £m	Total £m
Financial assets at fair value through profit or loss			
Debt securities	17.7	30.8	48.5
Collective investment schemes	1.1	-	1.1
	18.8	30.8	49.6

There were no level 3 financial assets in 2020 or 2019.

21. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank	13.3	7.1

Cash at bank of £13.3m (2019: £7.1m) is held in the 2013 and 2016 Charged Accounts in favour of the Abbey Life Staff Pension Scheme – see note 12.

22. Cash flows from operating activities

	2020 £m	2019 £m
Profit for the year before tax	212.3	309.0
Adjustments to reconcile profit for the year to net cash inflow from operating activities in respect of:		
Dividends received	(260.0)	(300.0)
Interest income on loans and receivables	(17.5)	(14.9)
Fair value losses	(1.5)	(2.5)
Interest expense on borrowings	6.4	8.1
Provisions	(0.1)	(3.4)
Pension service costs	0.2	-
Pension scheme administration costs	1.1	1.3
Net expected returned on pension scheme	1.5	2.0
Movements in impairments of investments in subsidiaries	59.7	(0.3)
Contributions to defined benefit pension scheme	(6.0)	(6.0)
Changes in operating assets and liabilities	174.7	38.1
Cash generated by operations	170.8	31.4

23. Capital and risk management

The Company's capital comprises share capital and all reserves. At 31 December 2020 total capital was £3,312.1m (2019: £3,091.0m). The movement in capital in the year comprises the total comprehensive income for the year of £221.1m (2019: £317.3m).

There are no externally imposed capital requirements on the Company. The Company's capital is monitored by the Directors and managed on an on-going basis via a monthly close process to ensure that it remains positive at all times.

The principal risks and uncertainties facing the Company are:

- Interest rate risk
  The movement in interest rates will impact the value of interest payable and receivable by the Company.

  An increase of 1% in interest rates, with all other variables held constant, would result in an increase in profit after tax in respect of a full financial year and in equity of £10.2m (2019: £8.4m). A decrease of 1% in interest rates, with all other variables held constant, would result in a decrease in profit after tax in respect of a full financial year and in equity of £10.2m (2019: £8.4m).

- Liquidity risk
  Exposure to liquidity risk arises as a result of normal business activities, specifically the risk arising from an inability to meet short-term 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	Total £m
2020	Borrowings	254.5	34.1	-	288.6
	Taxation payable	0.1	-	-	0.1
	Amounts owed to Group entities	178.9	-	-	178.9
2019	Borrowings	1.4	295.6	-	297.0
	Amounts owed to Group entities	7.6	-	-	7.6
	Provisions	0.1	-	-	0.1

23. Capital and risk management (continued)

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

  Credit risk management practices

  The Company's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising an expected credit loss ('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:

2020	**Note**	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL?**	**Gross carrying amount** £m	**Loss allowance** £m	**Net carrying amount** £m
Loans and receivables	17	N/A	Performing	12m ECL	764.1	-	764.1
Financial assets	20	A	Performing	12m ECL	6.8	-	6.8
Financial assets	20	BBB	Performing	12m ECL	36.9	-	36.9
Financial assets	20	Non-rated	Performing	12m ECL	6.2	-	6.2
Cash and cash equivalents	21	A	Performing	12m ECL	13.3	-	13.3

2019	**Note**	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL?**	**Gross carrying amount** £m	**Loss allowance** £m	**Net carrying amount** £m
Loans and receivables	17	N/A	Performing	12m ECL	743.6	-	743.6
Financial assets	20	A	Performing	12m ECL	30.2	-	30.2
Financial assets	20	BBB	Performing	12m ECL	12.8	-	12.8
Financial assets	20	Non-rated	Performing	12m ECL	6.5	-	6.5
Amounts owed by Group entities	18	N/A	Performing	12m ECL	3.3	-	3.3
Cash and cash equivalents	21	A	Performing	12m ECL	7.1	-	7.1

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.

Loans and receivables, and Amounts owed by Group entities – the Company is exposed to credit risk relating to loans and receivables advanced to other Group Companies, and other amounts owed by Group entities, both of 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 historic 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.

23. Capital and risk management (continued)

Financial assets – The Company's financial assets are held in corporate bonds and open-ended investment companies, which apart from one corporate bond, have investment grade ratings; the non-rated corporate bond is subject to an internal rating review. The Company considers that its financial assets have a low credit risk based on the credit ratings, and there being no history of default.

Cash and cash equivalents – The Company's cash and cash equivalents are held with bank and financial institution counterparties, all of which have an investment grade credit rating. The Company 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.

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.

The Company's exposure to all these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis.

24. Related party transactions

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

In the year ended 31 December 2020 the Company received cash dividends from its subsidiaries of £260.0m (2019: £300.0m).

Interest paid on loans and other amounts due to fellow subsidiaries amounted to £1.2m (2019: £11.8m).

Amounts due to related parties

	2020 £m	2019 £m
Loans due to subsidiaries	201.7	197.0
Loans due to fellow subsidiaries	85.0	84.5
Other amounts due to subsidiaries	178.9	7.6

Amounts due by related parties

	2020 £m	2019 £m
Loans due by parent	764.1	743.6
Other amounts due by fellow subsidiaries	-	3.3

Key management compensation

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 25.

25. Events after the reporting date

Subsequent to the year-end, Pearl Group Holdings (No. 1) Limited, Impala Holdings Limited and the Company agreed to amendments to the terms of the two loans advanced to the Company. Under the amendments to the loans, the maturity date for both loans was amended to 31 December 2026 and the margin on both loans was amended to 0.62%.

26. 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 is Phoenix Group Holdings Public Limited Company ('PGH plc'), a company incorporated in the United Kingdom. A copy of the financial statements of PGH plc can be obtained from the Company Secretary, The Phoenix Group, 20 Old Bailey, London, EC4M 7AN or www.thephoenixgroup.com.