STANDARD LIFE LIFETIME MORTGAGES LIMITED

Scotland Registration Number: SC193441

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2023

Contents

Strategic report

The Directors present the strategic report, their report and the audited financial statements of Standard Life Lifetime Mortgages Limited ('the Company') for the year ended 31 December 2023.

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

Business review

Significant business events

On 7 August 2023 the Company purchase a variable interest rate, closed mortgage book business from Standard Life Assurance Limited "SLAL", a group company. This is discussed in more detail under Section 172, key board decisions. The Company ceased lending to new customers during 2006 and operates a closed book of loans.

During the year, the Board noted the transfer of the entire issued share capital of the Company from Standard Life Assurance Limited to Phoenix Life Limited ('PLL'), the companies immediate parent. The Board maintains strong links with its immediate parent, PLL, who in turn reports key matters as appropriate to its ultimate parent Phoenix Group Holdings plc ("the Group").

Principal activities

The principal activity of the Company is to operate as a mortgage provider for equity release products and general mortgage products.

The Company has an agreement with Computershare under which it is provided with administration and operational services for an agreed service charge. The Company is domiciled in the UK where all its business activities take place.

Strategy

The Company's closed mortgage book is funded by PLL. The equity release products were originally priced to include the risk of falls in house prices therefore loan to value ('LTV') ratios on the equity release product remain low.

The objective of the Company is to realise the value in the mortgage book through an orderly run off whilst continuing to provide a high level of service to our customers.

Key performance indicators

The Company's performance is measured and monitored by the Board with particular regard paid for the following key performance indicators ('KPIs'):

KPI	2023	Definition, method of calculation and analysis
Profit after tax ("PAT") £'000	624	PAT reflects profit for the year attributable to equity holders per the Statement of comprehensive income. This KPI shows the movement in dividend paying capacity of the Company. The increase in PAT is mainly attributable to the increase in interest income as a result of the purchase of the additional mortgage loan book.
Return on equity ('ROE')	6.33 %	ROE reflects profit for the year divided by shareholders' equity at the end of the year. This KPI measures the return on equity capital being generated for the immediate parent company PLL. The increase in ROE is a reflection of the increased retained earnings year on year largely due to the additional interest income on the purchase of the additional loan book.

Interest margin ('IM')	6.03%	The IM is measured as the net interest income in the current year as a percentage of average total assets over the past two years. This KPI indicates how much income the Company is generating on its lending activities. The increase in percentage margin is as a result of the increase interest income off the purchase of the additional mortgage book, the decrease in the parent loan offset marginally by an increase in loans for part of the year due to purchase of the SLAL mortgage book. Overall the decrease in prior year loans has resulted in decreasing interest expenses (Note 15).

Section 172 statement

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

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

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

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

- The Company's customers, for whom it acts as a mortgage provider for equity release products and general mortgage products;
- Employees engaged by the Company via service companies within the Phoenix Group;
- Its regulator, the Financial Conduct Authority;
- Its outsourced service provider who, on behalf of the Company, is responsible for day to day management and oversight of customers; and

The Company's immediate parent, PLL and ultimate parent, Phoenix Group Holdings plc

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

Key stakeholder groups		
Customers	Suppliers	Colleagues
Our customers are borrowers of mortgage loans provided by the Company for equity release mortgage and other mortgage products. The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.	We depend on our outsourced service providers (OSP's) to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Company achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.
Link to strategic priorities		
How has the Board has engaged with and had oversight of stakeholder views during the year?		
The Board sought to understand whether customer needs were being met through consideration of regular reports on customer service, customer satisfaction and complaints. The Board received regular updates from management on the potential impact on customer service as a result of projects undertaken. The Board monitored the impact of the upcoming requirements for Consumer Duty and the impact this would have on customers.	The Board received regular reports from management on ongoing customer service performance and outsourced services, including operational resilience. Relationships with outsourced service providers were monitored via regular updates to the Board. The Board considered the renewal of its service agreements with third parties in the context of such performance, and relationships.	The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management.
The Board's role in promoting positive stakeholder relationships		
The Board holds management to account throughout the year, ensuring due care and attention is given to customer outcomes and needs, especially in the context of data and platform migration work and projects to grow and develop the Group.	The Board monitors the performance of its OSPs to ensure Phoenix is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with OSPs are vital to the success of both parties.	The Group Board is responsible for setting cultural tone for all Group colleagues. However, the SLLM Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Company.

Key stakeholder groups continued		
Community	Investors	Government, trade bodies & regulators
The most significant way in which we impact the community is through the decisions we make that affect our customers. The Board understands the value of building trust and inspiring confidence through robust and responsible decision-making.	Our sole shareholder is Phoenix Life Limited. As a Phoenix Group company, our ultimate shareholder is Phoenix Group Holdings plc (PGH). The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the Financial Conduct Authority (FCA. The Board acknowledges the importance of maintaining positive relationships with the Company's regulator to enable good outcomes for its customers.
Link to strategic priorities		
How has the Board has engaged with and had oversight of stakeholder views during the year?		
The Board considered the transfer of a book of business in the context of customer impact, including the Company assuming responsibility for arrears and forbearance activity for that book. The Board contributed towards development of the Group's Sustainability Strategy for 2023 and beyond.	The governance framework within the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Company. During the year, the Board noted the transfer of the entire issued share capital of the Company from Standard Life Assurance Limited to PLL.	The Board received updates on management's interactions with regulators and any feedback received from those bodies. The Board considered regular updates in relation to the Group's preparation for implementation of the FCA's new Consumer Duty, At the request of the regulators, certain Board directors may be required to meet on a formal basis. The Board receives regular Regulatory Reports, outlining key developments and matters to the extent they were relevant to SLLM.

Key board decisions

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

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

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

Example key Board decision	**Transfer of Standard Life Mortgage Book**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters The Board considered a proposal to transfer a book of mortgage business (FuturePerfect) from another Group company, Standard Life Assurance Limited (“SLAL”), to the Company. The Board noted that the transfer would assist the Group in achieving a wider long-term objective to transfer the business of SLAL to another Group entity via a Part VII arrangement under the Financial Services and Markets Act 2000. In reviewing the proposal, the Board explored the impact of such a transfer on the book’s customers. It noted that customer terms and conditions would be unchanged. Likewise, administration of their loans would continue to be undertaken by the existing outsourced service provider. The Board also noted that it would assume responsibility for arrears and forbearance activity for the Futureperfect book’s customers. As a consequence of any transfer, the Board recognised that the Company would become responsible for regulatory compliance, conduct risk and customer outcomes for the SLAL mortgage book, as well as for the implementation of the FCA’s New Consumer Duty by the July 2024 deadline for closed products.
Outcome	Following due consideration of the matters set out in section 172 and evidence presented, the Board approved the transfer of the SLAL Mortgage book from SLAL to the Company.

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.

Business relationships with customers

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

Business relationships with Partners/Suppliers

The Service Companies within the Group are the principal leads on maintaining relationships with suppliers. However, Computershare is responsible for the day to day management and oversight of the Company’s customers and the Board monitors their performance accordingly, during the year.

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.

Climate change

Climate change is one of the greatest global challenges Group faces today. Group’s ambition is to be a net zero business by 2050 and the Company has a significant role to play in helping to address the climate emergency and accelerating the transition to a net zero economy. This is intrinsically linked to Group’s purpose of helping people secure a life of possibilities.

Group have set an overarching target of being net zero carbon in our investment portfolio by 2050, in accordance with science-based targets. Group have also set interim carbon intensity reduction targets which provide a clear pathway to our overall net zero commitment: a 25% reduction in the carbon emission intensity of investments by 2025; and a 50% reduction in the carbon emission intensity of investments by 2030. These interim targets will cover listed equity and credit assets where the Company can exercise control and influence. The Company applies Group strategy and processes to ensure it can contribute towards Group meeting its objectives.

More information can be found in the principal risks section of this report, and in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Risk Management Framework

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

Further details on the RMF are outlined in the Strategic Report of the Phoenix Group's Annual Report and Accounts 2023.

Principal risks and uncertainties

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Credit; Operational; Customer; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in note 14.

On behalf of the Board

DocuSigned by:
Steve Ellis
CD3A279B93024BC...

Steve Ellis, CEO

24 April 2024

Directors' report

The Company operates as a mortgage provider for equity release products and general mortgage products, incorporated in Scotland, Its registration number is SC193441 and its registered office is Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH. It is a wholly owned subsidiary of PLL.

Results and dividend
The Company recorded a profit after tax of £624k (2022: £422k) which has been transferred to retained earnings. The Directors do not recommend the payment of a dividend in respect of 2023 (2022: £nil).

Going Concern
The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. Note 14 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

The Board has followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)" when performing their going concern assessment. To this end, the Board has undertaken a review of solvency, liquidity and cash flow projections under normal and stressed conditions.

Liquidity is considered to be adequate to meet liabilities as they fall due.

As a result of this review, the Directors believe the Company has adequate resources to meet its capital requirements and to continue in operational existence over the going concern period assessed up to 30 June 2025. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

- Samuel Lever (resignation 20 March 2024)
- Rizwan Sheriff (resignation 8 April 2024)
- Steven Martyn Ellis (appointed 21 March 2024)
- Mark Philips Screeton (appointed 21 March 2024) and
  Thomas Stephen James Ground (appointed on 17
  April 2024)

Our people
The staff who manage the affairs of the Company are employed by Standard Life Assets and Employee Services Limited ('SLAESL'), Phoenix Group Management Services Limited (formerly Pearl Group Management Services Limited)('PGMS') and Pearl Group Services Limited ('PGS'), however costs are not recharged to the Company.

The Company is subject to the Senior Manager and Certification Regime following its extension on 9 December 2019. The requirements for the Company have been embedded within the existing processes of the Phoenix Group and the Company was in full compliance on that date and up to the date of this report.

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

Matters disclosed in Strategic report
The Directors' duties section of the Strategic report covers stakeholder engagement.

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.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Re-appointment of auditor

The auditors, Ernst & Young, were appointed by the Board of Directors on 6 November 2018 to audit the financial statements of the Company for the year ended 31 December 2018 and subsequent financial periods up to the year ended 31 December 2023. Klynveld Peat Marwick Goerdeler (KPMG) will be appointed by the Board of Directors to audit the financial statements of the Company for the year ended 31 December 2024. and subsequent financial periods in accordance with section 487 of the Companies Act 2006.

On behalf of the Board

DocuSigned by:

Steve Ellis

CD3A279B93024BC...

Steven Ellis, CEO

24 April 2024

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with the UK adopted international accounting standards ('IAS') 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 present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IAS requires the Directors to:

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

Opinion

We have audited the financial statements of Standard Life Lifetime Mortgages Limited for the year ended 31 December 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and the related notes 1 to 18, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to 30 June 2025.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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 Companies Act 2006, tax legislation and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included the permissions and supervisory requirements of the Financial Conduct Authority (‘FCA’).
- We understood how the Company is complying with those frameworks by:
    - Making enquiries of management, internal audit, and those responsible for legal and compliance matters;
    - Reviewing correspondence between the Company and UK regulatory bodies; reviewing minutes of the Board meetings and evaluating whether the reporting to the Board provided a robust framework for the Directors to monitor compliance; and
    - Understanding the process by which the financial statements are produced and the process by which those charged with governance approve the financial statements prior to issuance.
- We assessed the susceptibility of the Company’s financial statements to material misstatement, including how fraud might occur by considering both the risks inherent in the business and the processes and associated controls over financial reporting, specifically income recognition.
    - Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved considering the extent of compliance with such laws and regulations during our audit procedures, making enquiries of those charged with governance and their senior management of their awareness of any non-compliance of laws and regulations and inquiring of policies put in place to prevent non-compliance with laws and regulations by officers and employees and for the monitoring of these polices.

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
0EB6FB26108B46E...

Nneka Crichlow (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 April 2024

Statement of comprehensive income
for the year ended 31 December 2023

	Note	**2023** £'000	**2022** £'000
Interest income		1,172	861
Interest expense		(278)	(331)
Net interest income	4	894	530
Other operating expenses	5	(68)	(9)
Total operating expenses		**(68)**	**(9)**
Profit for the year before tax		826	521
Tax charge	6	(202)	(99)
Profit for the year		**624**	**422**

There is no other comprehensive income for the year ended 31 December 2023 (2022:nil).

Statement of financial position
as at 31 December 2023

ASSETS	Note	2023 £'000	2022 £'000
Loans and deposits	7	14,992	12,421
Current tax receivable	9	4	4
Other Receivables	10	86	-
Cash and cash equivalents	11	1,589	530
Total assets		16,671	12,955
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	12	250	250
Retained earnings		9,605	8,981
Total equity		9,855	9,231
Financial liabilities			
Other financial liabilities	13	6,392	3,520
Other payables	14	424	204
Total liabilities		6,816	3,724
Total equity and liabilities		16,671	12,955

On behalf of the Board

DocuSigned by:
Steve Ellis
CD3A279B93024BC...

Steven Ellis, CEO

24 April 2024

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

	Note	Share capital £000	Retained earnings £000	Total £000
At 1 January 2023		250	8,981	9,231
Profit for the year		-	624	624
Total as at 31 December 2023	12	250	9,605	9,855

	Note	Share capital £000	Retained earnings £000	Total £000
At 1 January 2022		250	8,559	8,809
Profit for the year		-	422	422
Total as at 31 December 2022	12	250	8,981	9,231

Statement of cash flows
for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit before tax		826	521
Net interest income	4	(894)	(530)
		(68)	(9)
Net increase in operating assets and liabilities			
Changes in operating assets			
Receipts from loans and advances to customers		1,313	1,847
Interest received		914	909
(Decrease)/Increase in other financial and other assets		-	(23)
		2,227	2,733
Changes in operating liabilities			
Repayment of loans from parent company		(912)	(2,566)
Interest paid		(188)	(334)
		(1,100)	(2,900)
Taxation paid		-	-
Net cash flows used in from operating activities		1,059	(176)
Net (decrease) in cash and cash equivalents		1,059	(176)
Cash and cash equivalents at the beginning of the year		530	706
Cash and cash equivalents at the end of the year	11	1,589	530

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 18 to 34, were authorised by the Board of Directors for issue on 24 April 2024.

The financial statements have been prepared on a historical cost basis.

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 7.

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.

Note 14 to the financial statements summarises the Company's capital management and risk management objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (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 considered the solvency, liquidity and cash flow of the Company. The Company has a net current asset position of £9,855k which is predominately held in loans and advances to customers and a capital surplus of £9,688k (unaudited) as at 31 December 2023.

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

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

An analysis regarding recovery or settlement more than twelve months after the period end is presented in the notes.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006, as applicable to companies reporting under those standards.

2. Accounting Policies

(a) Critical accounting estimates and judgement in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. Disclosures of judgements made by management in applying the Company's accounting policies include those that have the most significant effect on the amounts that are recognised in the Company's financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. 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.

Financial statement area	Critical judgements in applying accounting policies	Related notes
Loans and advances to customers	**Expected life of mortgage lending** The valuation of assets or liabilities measured at amortised cost is calculated using the effective interest method. The effective interest rate method (the EIR) implies an interest rate which discounts the future forecast cash flows of an asset over its expected life back to its carrying value. The expected life of mortgage lending is determined on experience data and management judgement.	7
Loans and advances to customers	**Impairment of financial assets** The impairment provisions for financial assets disclosed in note 14 are based on assumptions about 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 (f) Impairment of financial assets.	7 and 14

How climate risk affects our accounting estimates and judgements

In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments.

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

The majority of the Company's financial assets are loans and deposits from customers and are held at amortised cost. The Company has considered the impact of climate change across its business and has not identified a requirement to impair these assets.

(b) Interest income and interest expense

For all financial instruments measured at amortised cost, interest income is recognised as income in the Statement of comprehensive income as it accrues using the effective interest method.

Charges in relation to provision of loans are accounted for using the effective interest method where they are directly attributable to the acquisition of that loan. Charges not regarded as integral to the overall return on financial instruments are recognised on an accruals basis according to when the relevant service is provided or on the performance of a significant act.

(c) Administrative expenses

Administrative expenses are recognised on an accruals basis.

(d) Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in profit and loss except to the extent that it relates to items recognised as other comprehensive income, in which case it is recognised in other comprehensive income.

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. 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.

(e) Financial instruments

(e)(i) 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 financials assets are carried at amortised cost, using the effective interest method.

The Company measures all of its financial liabilities at amortised cost.

(e)(ii) Loans and receivables and financial liabilities at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Deposits with credit institutions, loans and advances to customers and other financial asset balances are classified as loans and receivables. Both loans and receivables are measured as described in accounting policy (e)(i) above.

(e)(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously.

(e)(iv) Loans from parent undertaking

Loans from the parent undertaking are classified as financial liabilities and are measured at fair value at the date of the issuance (being proceeds net of directly associated issue costs) and subsequently measured at amortised cost using the EIR method.

(e)(v) Derecognition of financial assets and financial liabilities

Derecognition is the point at which the Company removes an asset or liability from the statement of financial position.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(f) Impairment of financial assets

The company assesses the expected credit losses associated with its receivables and cash carried at amortised costs. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company measures loss allowance using the 12-month Expected Credit Loss ("ECL"). A simplified approach is used to determine the loss allowances for other receivables and contract assets within the scope of IFRS 15, as these are always measured at an amount equal to lifetime ECLs. The company uses reasonable and supportable information that is relevant and available without undue costs or effort to assess whether there has been a significant increase in risk since initial recognition. This includes forward looking analysis. See note 14 for details of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs are recognised using a provision for doubtful debts in profit and loss.

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 were made to estimation techniques or assumptions were made during the reporting period.

(g) Receivables

Receivables are recognised when due and measured on initial recognition at the fair value of the amount receivable. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest method.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits, money held at call and short notice with banks and any highly liquid investments with less than 3 months to maturity from the date of acquisition.

(i) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. An instrument is classified as an equity instrument when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in the share premium reserve. Incremental costs directly attributable to the issue of new equity instruments are shown as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments in a business combination are excluded in the cost of acquisition.

(j) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are possible obligations of the Company of which timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the statement of financial position but are disclosed, unless they are considered remote. If such an obligation becomes probable and the amount can be measured reliably it is no longer considered contingent and is recognised as a liability.

Contingent assets are disclosed if the inflow of economic benefits is probable, but not virtually certain.

(k) Payables

Payables are recognised when due and are measured at the fair value of the consideration payable.

(l) Dividends

Final dividends on share capital classified as equity instruments are recognised in equity when they have been approved by shareholders. Interim dividends on these shares are recognised in equity in the period in which they are paid.

3. New and amended accounting standards

New Accounting Pronouncements with respect to this Company

The IASB has issued the following standards or amended standards which apply from the dates shown. These amendments do not have any impact on the Company.

- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023): The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose ‘material accounting policy information’ instead of its ‘significant accounting policies’. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023): The amendments replace the definition of a “change in accounting estimates” with an updated definition of “accounting estimates”. Under the new definition, accounting estimates are ‘monetary amounts in financial statements that are subject to measurement uncertainty’. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. This amendment does not impact the Company.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023): The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will

reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences.

- Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (1 January 2024): The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. This amendment does not impact the Company.

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

- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

4. Net interest income

	2023 £000	2022 £000
Mortgage interest income	1,172	861
Interest expense on intercompany loan from parent	(278)	(331)
Total	894	530

5. Other operating expenses

	2023 £000	2022 £000
Administrative and operational expenses	(68)	50
Movement in loss provision	-	(41)
	(68)	(9)

The operating expenses consist mainly of service charges paid to Computershare Limited, for the provision of administrative and operational services to the Company.

The staff who manage the affairs of the Company are employed by Standard Life Assets and Employee Services Limited (‘SLAESL’), Phoenix Group Management Services Limited (formerly Pearl Group Management Services Limited) ('PGMS') and Pearl Group Services Limited ('PGS').

Auditors’ remuneration in respect of the audit of the Company’s financial statements amounted to £25k (2022: £24k) and was borne by the parent company PLL.

6. Tax Charge

Current year tax charge

	2023 £000	2022 £000
Current tax:		
UK Corporation tax	202	99
Total current tax	202	99

Reconciliation of tax charge

	2023 £000	2022 £000
Profit for the year before tax	826	521
Tax at standard UK rate of 23.5% (2022: 19%)	194	99
Prior year tax adjustment	8	-
Total tax charge	202	99

7. Loans and deposits

	2023	2022
	£000	£000
Loans and advances to customers		
Loans secured by mortgages	14,992	12,421
Total loans	14,992	12,421
Amounts recoverable after 12 months	12,935	-

Loans and advances to customers are shown inclusive of accrued interest and net of impairment losses.

All loans and advances to customers are denominated in sterling and fully secured on residential property.

The equity release mortgages of £11,977k (2022:£12,421k) are subject to a fixed interest rate of 5.9%. Fixed rate equity release loans and advances are recoverable from the sale of the property on the death of the customer or if the customer moves into long term care and therefore have no fixed maturity.

The remaining £3,015k (2022:nil), reflects the newly purchased mortgage book which comprises of fixed term mortgage loans. These loans will fully mature by 31 December 2033 and are subject to variable interest rates capped at either 6.25%, 6.49%, 6.59% or 8.74%.The loans and advances are secured by mortgages and recoverable through monthly repayments.

8. Fair Value

(a) Fair value of financial assets and liabilities carried at amortised cost

The table below presents estimated fair values of assets and liabilities whose carrying value does not approximate fair value. Fair values of assets and liabilities are based on observable market inputs where available or are estimated using other valuation techniques.

	Fair value 2023	**Book value** 2023	**Fair value** 2022	**Book value** 2022
Financial assets	£000	£000	£000	£000
Loans and advances to customers	15,210	14,992	12,688	12,421
Total financial assets	15,210	14,992	12,688	12,421

	Fair value 2023	**Book value 2023**	**Fair value 2022**	**Book value 2022**
Financial liabilities	£000	£000	£000	£000
Loans from parent undertaking:				
-Variable rate loan- interest rate of SONIA +129bps	3,330	3,798	-	-
- Fixed rate loan – 5.90%	2,610	2,594	3,554	3,520
Total financial liabilities	5,940	6,392	3,554	3,520

(b) Determination of the fair value hierarchy

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs).

For loans and advances to customers and the loans from the parent undertaking, the estimated fair value represents the discounted amount of estimated future cash flows expected to be received/paid. Expected cash flows are discounted at current market rates to determine fair value and are deemed to be Level 2 (2022: Level 2). The carrying value of all other financial assets and liabilities approximate their fair value. There are no level 3 assets.

9. Tax assets and liabilities

	2023	**2022**
	£000	£000
Current Tax		
Current tax recoverable	4	4
	4	4

The standard rate of UK corporation tax for the accounting period is 23.5% (2022: 19%).

An increase from the last year 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021. No deferred tax assets or liabilities are recognised at 31 December 2023 or 31 December 2022 the change in tax rate therefore has no impact on the balance sheet.

10. Other receivables

	2023	2022
	£000	£000
Mortgage repayments	86	-
Total	**86**	**-**
Amounts recoverable after 12 months	**-**	**-**

11. Cash and cash equivalents

	2023	2022
	£000	£000
Bank and cash balances	1,589	530
Total cash and cash equivalents	**1,589**	**530**

Cash in hand is non-interest bearing. All other cash and cash equivalents are subject to variable interest rates.

12. Share capital

	2023	**2023**	**2022**	**2022**
	Number	£000	Number	£000
Issued share capital				
Share Capital	250,000	250	250,000	250

During the year, there was a transfer of the entire issued share capital of the Company from SLAL to PLL, the company’s immediate parent. As a result the share ownership has changed and all shares are owned by the immediate parent undertaking, PLL (2022:SLAL).

13. Other financial liabilities

	Note	2023	2022
		£000	£000
Variable rate loan-interest rate of SONIA + 129 bps		3,798	-
Fixed rate loan- 5.9%		2,594	3,520
Loans from related parties	16	6,392	3,520

The fixed rate loan is provided from SLAL to the Company and is used to fund loans to customers under the Equity release mortgage agreements. Under the terms of the fixed rate agreement with SLAL there is no fixed date for repayment of the outstanding amount.

The variable rate loan is provided from PLL to the Company and is used to fund loans to customers under the newly acquired variable mortgage agreement. The newly acquired variable rate mortgage book require that the loan is repaid on a monthly basis from customer loan repayments but allowing for monthly servicing and operating costs until the loan is repaid.

14. Other payables

	Note	2023	2022
		£000	£000
Group relief payable		209	181
Amounts due to related parties	16	215	23
		424	204

All amounts are denominated in sterling and are expected to be settled within 12 months.

15. Risk management

(a) Overview

Risk Management Framework

The Group's RMF (applicable to the Company) embeds proactive and effective risk management across the Phoenix Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. Detail on each of the nine elements of the RMF is included in the Group's 2023 Annual Report and Accounts.

Risk Universe

The Group's Risk Universe summarises the comprehensive set of risks to which the Company is exposed. The risk profile of each is an assessment of the impact and likelihood of those risks crystallising and the Company failing to achieve its strategic objectives. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, assessed, managed, monitored and reported through the Group's RMF.

There are three levels of Risk Universe categories; the highest is Level 1 and includes:

Level 1 category	Definition
Strategic risk	A possible source of loss that might arise from the pursuit of an unsuccessful business plan; this source of loss can be to the shareholders and / or to the policyholders, and may drive reputational damage which could further impact the Group's ability to meet its strategic objectives.
Financial soundness	The risk of financial failure, reputational loss, loss of earnings and/or value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial, taxation and regulatory information.
Market risk	The risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of interest rates, inflation rates and currency exchange rates.
Credit risk	The risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.
Customer risk	The risk of financial failure, reputational loss, loss of earnings, and/or value arising from inappropriate or poor customer treatment (including poor advice).
Operational risk	The risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.

The Company has also defined a more granular categorisation for Level 2 risks. This helps to further explain our attitude to these risks.

(b) Strategic risk

Strategic risks threaten the achievement of the Company and Group strategy through poor strategic decision-making, implementation or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, the Company seeks to proactively review, manage and control these exposures.

The Company's strategy and business plan are exposed to external events that could prevent or impact the achievement of the strategy; events relating to how the strategy and business plan are executed; and events that arise as a consequence of following the specific strategy chosen. The identification and assessment of strategic risks is an integrated part of the RMF. Strategic Risk should be considered in parallel with the Risk Universe as each of the risks within the Risk Universe can impact the Group and Company's strategy.

A Strategic Risk Policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Company and Group's strategic ambitions.

(c) Financial risks

The use of financial instruments naturally exposes the Company to the risks associated with them which comprise mainly financial soundness risk, market risk, and credit risk. Financial soundness is a broad risk category encompassing liquidity and funding risk, capital management risk and tax risk.

(d) Financial Soundness: Liquidity and funding risk

Liquidity risk in its broadest sense can be defined as failure to maintain adequate levels of financial resources to meet obligations as they fall due. Funding risk relates to the potential inability to raise additional capital or liquidity when required in order to maintain the resilience of the balance sheet. The Company has exposure to liquidity risk as a result of any failure to meet its short-term cash flow requirements.

The Board has defined a number of governance objectives and principles and the liquidity risk framework is designed to ensure that:

- Liquidity risk is managed in a manner consistent with the Board's strategic objectives and risk appetite;
- Cash flows are appropriately managed and the reputation of the Company and the Group are safeguarded; and
- Appropriate information on liquidity risk is available to those making decisions.

A significant proportion of the Company's financial assets are held in cash which the Company considers sufficient to meet the liabilities as they fall due.

(e) Contractual undiscounted maturities

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

As at 31 December 2023

	Within one year	1 to 5 years	No defined maturity	Total
	£000	**£000**	**£000**	**£000**
Assets:				
Loans and advances to customers	2,057	-	12,935	14,992
Other Receivables	86	-	-	86
Cash and cash equivalents	1,589	-	-	1,589
	3,732	**-**	**12,935**	**16,667**
Liabilities:				
Loans from parent undertaking	2,023	1,775	2,594	6,392

As at 31 December 2022

	Within one year	1 to 5 years	No defined maturity	Total
	£000	**£000**	**£000**	**£000**
Assets:				
Loans and advances to customers	-	-	12,421	12,421
Cash and cash equivalents	530	-	-	530
	530	**-**	**12,421**	**12,951**
Liabilities:				
Loans from parent undertaking	**-**	-	3,520	3,520

The equity mortgage loans of £2,594 (2022:£3,520) have no defined maturity as the nature of the mortgage arrangement is such that the loans are repayable upon death, or the customer selling their property to enter long term care.

The newly acquired variable rate mortgage book require that the loan is repaid on a monthly basis from customer loan repayments but allowing for monthly servicing and operating costs until the loan is repaid.

Assets available to meet liabilities as they fall due are cash and cash equivalents and loans and advances to customers.

(f) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for stakeholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the Financial Conduct Authority ('FCA').

Capital management policies and objectives

Managing capital is the on-going process of determining and maintaining the quantity and quality of capital appropriate for the Company and ensuring such capital is deployed in a manner consistent with the expectations of our stakeholders. For these purposes, the Company consider our key stakeholders to be the providers of capital and the FCA.

The primary objective of capital management in the Company is to ensure that capital is, and will continue to be, adequate to maintain the required level of safety and stability of the Company and hence to provide an appropriate degree of security to our stakeholders.

The capital requirements of the Company are routinely forecast on a periodic basis, and the requirements are assessed against forecast available capital requirements. Capital plans are ultimately subject to approval by the Board.

Regulatory capital

The Company undertakes mortgage provision business in the UK and is regulated by the FCA. The FCA specifies rules and guidance for the minimum level of capital required to meet regulatory requirements. The FCA requires all mortgage provision companies to maintain Capital Resources ('CR') in excess of their Capital Resources Requirement ('CRR'). CR includes the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

Capital requirement

Based on the Company's regulatory return at 31 December 2023, the Company had available capital resources of £9,855k (unaudited) (2022: £9,239k (unaudited)) and a CRR of £167k (unaudited) (2022: £130k (unaudited)).

The Company has not breached any regulatory capital requirements at any time during the year.

(g) Financial Soundness: Tax risk

Tax risk is defined as the risk of financial failure, reputation damage, loss of earnings/value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting, understanding of tax legislation and disclosure of financial, taxation and regulatory information.

Tax risk can be caused by: the Company making a material error in its tax reporting; incorrect calculation of tax provisions and failure to implement the optimum financial arrangements to underpin a commercial transaction.

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. In addition, the Group has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Company has in place to manage those risks.

(h) Market risk

Market risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The main elements of market risk to which the Company is exposed are property risk and interest rate risk which are discussed below.

(h)(i) Property risk

Property risk is the risk of adverse property market movements. The Company is exposed to property risk as the loans and advances are repayable from the sale of the property. This risk is mitigated as the equity release products and general mortgage products were originally priced to include the risk of falls in house prices therefore loan to value ('LTV') ratios remain low. On an ongoing basis the finance team monitor LTV ratios taking into account movements in house price valuations and assess the loans for impairment under the expected credit loss approach as detailed within the credit risk section below.

(h)(ii) Interest rate risk

Interest rate risk is the risk that changes in long term interest rates or inflation rates (or the volatilities of these rates) could lead to reduction in asset values relative to liabilities which may result in losses for shareholders.

The main financial assets held by the Company which give rise to interest rate risk are deposits, cash and cash equivalents.

The result of interest rate sensitivity analysis based on the year end statement of financial position, and the risk exposures in existence at that date, is given below (a positive number represents a positive impact to the income statement).

The Bank of England base rate prevailing at 31 December 2023 was 525 basis points (2022: 350bps) and therefore the sensitivity to a fall in rates has been limited to 25 basis points (2022: 25 bps).

The interest rate profile of financial assets and liabilities is as follows:

	Variable rate	Fixed rate	Non-interest bearing	Total
	£000	£000	£000	£000
As at 31 December 2023				
Assets:				
Loans and advances to customers	3,015	11,977	-	14,992
Other Receivables	-	-	86	86
Cash and cash equivalents	1,589	-	-	1,589
	4,604	11,977	**86**	**16,667**
Liabilities:				
Loan from parent undertaking				
Variable rate loan-interest rate of SONIA + 129	(3,798)	-	-	(3,798)
Fixed rate loan- 5.9%	-	(2,594)	-	(2,594)
Other liabilities	-	-	(424)	(424)
	(3,798)	**(2,594)**	**(424)**	**(6,816)**
Interest sensitivity gap	**806**	**9,383**	**(338)**	**9,851**
As at 31 December 2022				
Assets:				
Loans and advances to customers	-	12,421	-	12,421
Cash and cash equivalents	530	-	-	530
	530	12,421	**-**	**12,951**
Liabilities:				
Loan from parent undertaking	-	(3,520)	-	(3,520)
Other liabilities	-	-	(204)	(204)
	-	**(3,520)**	**(204)**	**(3,724)**
Interest sensitivity gap	**530**	**8,901**	**(204)**	**9,227**

All variable rate financial assets and liabilities re-price in a period of less than three months. All fixed rate financial assets re-price in five years or more. The non-interest bearing financial assets and liabilities relate to short-term debtors and creditors which do not have a defined interest rate.

(h)(iii) Sensitivity analysis – market risk

	+100 basis points	-25 basis points
	£000	£000
Impact on profit after tax as at 31 December 2023	**8**	**(2)**
	+100 basis points	**-20 basis points**
Impact on profit after tax as at 31 December 2022	**5**	**(1)**

Limitations

The sensitivity analysis represents the pre-tax impact on profits at the reporting date that the specified changes in assumptions would have if they had persisted throughout the year. The sensitivity will vary with time, both due to changes in market conditions and the changes in the actual statement of financial position mix, this mix being actively managed. This sensitivity analysis is non-linear and larger or smaller impacts should not be derived from these results.

The Company considers this to be representative of risk exposure during the reporting period. However these sensitivities are hypothetical and should not be considered to be predictive of future performance.

(i) Strategy in using financial instruments

Financial instruments comprise the majority of the Company's assets and liabilities. The Company does not trade in financial instruments. The key financial risk arises in relation to interest rate risk on cash and cash equivalents.

(j) Reconciliation by category of financial instruments

The following tables reconcile the Company's financial instruments by IFRS 9 category to the line items presented in the statement of financial position.

All financial assets are categorised as held at amortised cost as follows:

	2023	2022
	£000	£000
Loans and advances to customers	14,992	12,421
Other Receivables	86	-
Cash and cash equivalents	1,589	530
Other financial assets	4	4
Total financial assets	**16,671**	**12,955**

All financial liabilities are categorised as held at amortised cost as follows:

	2023	2022
	£000	£000
Loans from parent undertaking		
Variable rate loan- interest rate of SONIA +129bps	3,798	**-**
Fixed rate loan- 5.9%	2,594	3,520
Total financial liabilities	**6,392**	**3,520**

(k) Credit risk

Credit risk management

The principal credit risk to the Company is that proceeds from the sale of the borrower's property upon death or entry into long-term care will not cover the outstanding loan amount. This risk is mitigated by the credit policies on origination of the loans, which included setting maximum initial LTV ratios and the holding of a first charge over the property on which the loan is granted. For a subset of properties, first charge is legally in the name of related parties, held on behalf of the Company.

The tables below detail 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:

31 December 2023	Note	External credit rating	Internal credit rating	12 month ECL or lifetime ECL?	Gross carrying amount £'000	Loss allowance £000	Net carrying amount £000
Loans and advances to customers	7	N/A	Performing	12m ECL	14,992	-	14,992
Other Receivables	10	N/A	N/A	12m ECL	86	-	86
Cash and cash equivalents	11	A	N/A	12m ECL	1,589	-	1,589
Total					**16,667**	-	16,667
31 December 2022							
Loans and advances to customers	7	N/A	Performing	12m ECL	12,421	-	12,421
Cash and cash equivalents	10	A	N/A	12m ECL	530	-	530
Total					**12,951**	-	**12,951**

Concentrations of credit risk

Due to the nature of the Company's business and the extent of its activities, management is of the opinion that there are no significant concentrations of credit risk in terms of geographical areas, customer or industry groups, or any other areas. All asset counterparties are domiciled in the UK.

Credit exposure of financial assets that are not impaired

The financial assets of the Company that are not impaired at the Statement of financial position date are classified according to external rating agencies credit ratings of the counterparties. The Company's assets which are placed with external counterparties are its holdings in cash and cash equivalents, which have a credit rating of A. All exposures to loans and advances to customers are internally rated.

Credit exposure to financial assets that are impaired

The Company has not impaired any loans for the year ending 31 December 2023 (2022-£nil).

(l) Customer risk

Customer risk is defined as the risk of financial failure, reputational loss, loss of earnings, and/or value arising from inappropriate or poor customer treatment (including poor advice). It can arise as a result of:

- Customer Treatment: Failure to have a customer centric culture which drives appropriate behaviours and decisions leading to customer interactions and outcomes which meet or exceed reasonable customer and regulator expectations and which take account of potential customer vulnerability.
- Customer Transformation: The design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.
- Product and Propositions: Failure to design and/or manage products/propositions appropriately, or failure of the manufacturer to ensure that products/ propositions are distributed to the appropriate target market, perform as intended and in line with the expectations set. This element of customer risk is minimal in respect of the Company.
- Sales and Distribution: Inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes leading to reputational, financial and/or operational detriment. This element of customer risk is minimal in respect of the Company.

The Group's Conduct Risk Appetite (which applies to the Company), sets the boundaries within which the Company expect customer outcomes to be managed. In addition, the Group Conduct Risk Framework ('CRF'; applies to the Company), which overarches our Risk Universe and all risk policies, consists of a set of outcomes, intents and standards for all Group staff to follow to ensures that the Company has embedded and effective controls in place across our business activities to detect where our customers are at risk of poor outcome, minimise conduct risks, and respond with timely and appropriate mitigating actions.

The Company also has a suite of customer polices which set out the key customer risks and minimum control standards in place to mitigate them.

(m) Operational risk

Operational Risk is defined as the risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.

Operational risk arises due to failures in one or more of the following aspects of our business:

- indirect exposures through our outsourcing service providers (OSPs) and suppliers;
- direct exposures through internal practices, actions or omissions;
- external threats from individuals or groups focused on malicious or criminal activities, or on external events occurring which are not within the Company's control; and
- Negligence, mal-practice or failure of employees, or suppliers to follow good practice in delivering operational processes and practices.

It is accepted that it is neither possible, appropriate nor cost effective to eliminate operational risks from the Company as operational risk is inherent in any operating environment particularly given the regulatory framework under which the Company operates. As such the Company will tolerate a degree of operational risk subject to appropriate and proportionate levels of control around the identification, management and reporting of such risks.

The Company also has a set of operational risk policies that set out the nature of the risk exposure and minimum control standards in place to control the risk.

16. Related parties

(a) Transactions with related parties

In the normal course of business, the Company enters into transactions with related parties that relate to the provision of mortgage business. The Company also has transactions with SLAESL, a fellow subsidiary which provide employment of staff and provision of services, in addition it recharges service costs paid to Computershare Limited, for the provision of administrative and operational services to the Company.

	2023 £000	2022 £000
Expenses:		
Interest on loan from parent	278	331
Service cost recharge from SLAESL	68	50
Total expenses	**346**	**381**

(b) Balances due from/to related parties

	Note	2023 £000	2022 £000
Due to related parties:			
Ultimate Parent Loans	13	6,392	3,520
Ultimate Parent Other payables	14	180	-
Fellow subsidiary	14	35	23
Total due to related parties		**6,607**	**3,543**

17. Events after reporting period

Subsequent to year end, SLLM was transferred from the current parent PLL to Pearl Life Holdings Limited. The Board noted that the transfer would assist the Group in achieving a wider long-term objective via a Part VII arrangement under the Financial Services and Markets Act 2000.

18. Ultimate parent undertaking and controlling party

The immediate parent is Phoenix life Limited, a company incorporated and resident in England. The Company's ultimate parent company is Phoenix Group Holdings plc, a company incorporated and resident in England and Wales.