# PHOENIX LIFE LIMITED

**Company Registration Number: 1016269**

## STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
## for the year ended 31 December 2024

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## Strategic report

The Directors present the Strategic report, their Report and the financial statements of Phoenix Life Limited ("the Company") for the year ended 31 December 2024.

The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") (together "UK GAAP") in conformity with the requirements of the Companies Act 2006. The provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies also apply to the Company.

### Business review and future developments

***Principal activities***
The principal activities of the Company are the provision of life assurance and pension products in the United Kingdom ("UK"). The Company places customers at the heart of what it does and is committed to delivering a high level of customer service. The Company remains focused on delivering profits to support the cash generation policy of Phoenix Group Holdings plc ("the Group" / "the Phoenix Group").

In 2023, the Company was in receipt of a Part VII of the Financial Services & Markets Act 2000 ("Part VII transfer") transfer of policies and associated assets and liabilities from fellow Group companies: Standard Life Assurance Limited ("SLAL"), Standard Life Pension Funds Limited ("SLPF") and Phoenix Life Assurance Limited ("PLAL").

The Company writes new business in relation to bulk purchase annuities ("BPAs"), protection business written under the SunLife brand and vesting pension annuities. Following the Part VII transfer from SLAL the Company now also operates retail business, where the relationship is either directly with the customer or their financial adviser, and the workplace business, where pensions and savings products are provided to employees through employer propositions.

The Company has written a wide range of life and pensions business, predominantly on individual risks. The Company also provides de-risking products for corporate clients. Reinsurance arrangements are in place with companies outside of the Group to cover certain blocks of immediate and deferred annuities, permanent health, critical illness and term assurance risks and investment contract liabilities that are linked to the performance of funds maintained by the reinsurer. Longevity swap arrangements are in place with a range of reinsurers to reduce the Company's longevity risk exposure.

All business is written in the UK.

All Phoenix Group life company entities operate under the governance and risk management frameworks of the Group. The Company, SLAL, ReAssure Limited ("RAL"), ReAssure Life Limited ("RLL") and Phoenix Life CA Limited (formerly Sun Life Assurance Company of Canada (U.K.) Limited) (together "the Life Companies") operate joint Boards of Directors ("the Board"), Audit Committees and Risk Committees, which operate under the Group's frameworks whilst having responsibility delegated to them for oversight of policies and activities that only impact the Life Companies.

**Strategy**
The Company is a member of the Phoenix Group, which is the UK's largest long-term savings and retirement business. With around £290 billion of assets under administration in total, the Group offers c.12 million customers a range of products through our trusted pensions, savings and life insurance brands. Our purpose is to help people secure a life of possibilities; from our customers, colleagues and investors to wider society, and our mission is to help everyone achieve the retirement they want and stay with them for the whole journey. The Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, enabling improved outcomes for customers and to deliver value for shareholders.

**Corporate activity**
*Equity Release Mortgages ("ERM")*
During the year the Company sold £1,166m of ERM loans to Phoenix ER5 Limited ("PER5L"), a wholly owned subsidiary, in return for notes issued by PER5L. The loans sold were LV, More2Life, Pure and Standard Life Home Finance originations between 1 October 2023 to 31 October 2024.

The ERM loans sold do not qualify for derecognition as the Company retains substantially all the risks and rewards of the ERM loans. The loan notes issued, as well as the corresponding payable held with the subsidiaries are not considered to be an overall direct obligation and are therefore not recognised within the assets and liabilities of the Company (note 4).

On 4 December 2024 £806m of ERM loans with Phoenix ER6 Limited ("PER6L"), a wholly owned subsidiary, were transferred to the Company and corresponding loan notes redeemed. This was facilitated by both internal and external securitisations.

On 5 December 2024 the Company sponsored a securitisation with an external party. As part of this transaction, the Company sold £157m of ERM loans originated through More2Life, Standard Life Home Finance and Pure.

*BPA transactions*
During 2024, the Company continued its activities in the BPA market, completing 15 (2023: 17) BPA transactions with a combined premium of £5.1bn (2023: £6.2bn).

For all of the BPA transactions, reinsurance was effected, transferring the majority of the associated longevity risk. During the year ended 31 December 2024, the Company received capital contributions of £165m (2023: £250m) from Pearl Life Holdings Limited ("PeLHL"), its parent undertaking to cover the initial solvency strain of these transactions.

Capital contributions of £189m (2023: £250m) were received in the year. Capital contributions of £419m (2023: £850m) were repaid in the year.

*Strategic asset allocation ("SAA")*
The shareholder SAA is reviewed annually by the Board Investment Committee and provides expected ranges for the investment portfolio allocation based on both a short term (1 year) and a medium term (3 years) investment horizon. These incorporate the view on asset sourcing and sales plans.

The current shareholder SAA reflects (i) a higher allocation to private assets, driven by both the higher illiquidity premium available on these assets and in some cases their longer maturity, which offers a better match for the BPA new business; and (ii) the ability to increase the allocation to non-GBP assets, which can increase credit portfolio diversification.

*New products*
The Company has continued to expand its product reach and offering as it executes its strategy to grow a strong and sustainable business. During 2024 the Company launched several new products. The Standard Life Smoothed Return Pension Fund was launched in May, exclusively through the Fidelity Adviser Solutions platform. This fund is designed to help people grow their pension investments while providing some reassurance from the daily uncertainty of investing, through a "smoothing" process. The Standard Life Guaranteed Fixed-term Income product was launched in September as the Company continues to extend its range of individual propositions in response to increased customer demand for flexible retirement income solutions.

*Policy administration migration*
On 29 November 2018, Phoenix Group announced its intention to move to a single, digitally enhanced outsourcer platform which will improve customer outcomes, supported by Diligenta Limited ("TCS Diligenta"), a subsidiary of Tata Consultancy Services Limited. Further policies transferred during 2024 and in November 2024, new business functionality was launched to market on Diligenta technology. The migration of policies from Capita Life to TCS Diligenta was completed in February 2025. The next major migration milestone will cover c1.2m workplace and personal pension policies from other legacy systems to TCS Diligenta by Q3 2025. The dates for further migrations are under review. The end state will complete the outsourcing of policy administration to TCS Diligenta in order to support our growth plans for the Company's open business.

*Strategic partnership with aberdeen group plc (formerly abrdn plc)*
On 23 February 2021, the Group entered into an agreement with aberdeen group plc ("aberdeen"), to simplify the arrangements of their strategic partnership and sell the Company's Wrap Self Invested Personal Pension ("Wrap SIPP"), Onshore Bond and UK Trustee Investment Plan ("TIP") to aberdeen through a Part VII transfer, subject to regulatory clearance. The transfer of the TIP business was completed on 28 March 2025. Prior to 31 December 2023, a re-scoping exercise was undertaken with aberdeen and it was agreed that the insured funds elements of the Wrap SIPP and Onshore Bond business will no longer transfer to aberdeen. The self-invested elements of the Wrap SIPP business are still expected to transfer after April 2025.

*Sale of strategic subsidiary*
On 1 March 2024, the Company sold it's holding in Standard Life Lifetime Mortgages Limited ("SLLM"), a regulated entity that owns and administers two closed mortgage books (residential and equity release) to PeLHL. SLLM, as a lender authorised by the Financial Conduct Authority ("FCA"), holds legal and beneficial interest in the mortgages with the associated conduct and customer risks. The mortgage portfolio represents a non-core asset allocation outside the Company's investment strategy and risk appetite.

***Climate change: activity in the year and future developments***
Climate change remains one of the greatest global challenges faced today. As a member of a purpose-led Group we want to play our part in delivering a net zero economy whilst delivering good outcomes for our customers; our actions are either directly or indirectly aligned with this goal. The primary drivers for our actions are to reduce customers' exposure to climate-related risk and to help them take advantage of the opportunities presented by the net zero transition.

We also recognise that nature loss and degradation is a material financial risk to our customers, and we are taking action to understand and address our dependencies and impacts on nature across our business.

We are scaling up our actions to drive wider system change and we strive to use our position of influence to bring about positive change in our investee companies. That's why we remain invested in high emitting sectors including oil and gas. We call this our 'engagement first' approach. In parallel we are on a journey to decarbonise our own operations and supplier base.

As a Group, we have identified and assessed the impact of climate-related risks and opportunities on the business, strategy, and financial planning over short-, medium-, and long-term horizons. We have committed to being net zero by 2050 across our investment portfolio, operations and supplier base and have set near-term targets to help us to navigate our progress to meet our net zero ambition.

In 2023 the Group published its Net Zero Transition Plan which sets out our strategy in detail and the actions that the Group will take across three core pillars: Invest, Engage and Lead to deliver our net zero targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in their plan. The Company continues to support the Group strategy on climate and build on the publicly disclosed climate metrics reported in its Task Force on Climate-related Financial Disclosures (TCFD) entity climate report under the FCA Environmental, Social and Governance ("ESG") Sourcebook for the year ended 31 December 2023, released in June 2024. The regulatory deadline for publication of the Company's TCFD entity climate report for the year ended 31 December 2024 is June 2025.

The Company seeks to follow and apply the strategy, risk management, and climate governance framework set by the Group to ensure it can contribute and help support the Group to meet its Climate and Sustainability Targets. The Group's understanding of climate and wider sustainability risks continues to evolve as new risks emerge, with nature increasing in its importance. As Group looks to take steps to address nature risk, the Group framework in place for climate is expected to extend to consider climate and nature risks together. More information on the Group's TCFD-aligned disclosures and integrated nature disclosures and sustainability strategy can be found in the Group's Annual Report and Accounts and standalone Sustainability Report respectively.

***Regulatory developments***

Solvency II as modified by the PRA's 2024 Reforms ("Solvency UK"), came into full effect for the year ended 31 December 2024 following further changes from 2023 based on consultation feedback, including matching adjustment changes. The Company continues to monitor changes in the regulatory environment and feedback on consultations both via the Group and industry bodies.

***Key Performance Indicators ("KPIs")***

The results of the Company for the year are shown in the Statement of comprehensive income on page 31.

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

*Capital resources*

The Company's solvency position is an important measure of financial strength. As at 31 December 2024 the Company's Solvency II[1] own funds and excess of own funds over solvency capital requirement were £7,104m (2023: £7,917m) and £2,348m (2023: £2,795m) respectively.

*Dividends paid*

The payment of dividends to Group is a strategic objective as cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. Dividends of £600m were paid to the parent company during the year (2023: £535m). The directors do not recommend the payment of a final dividend.

*Customer satisfaction ("PSAT")*

The 2024 customer satisfaction percentage for the Phoenix Life division was 89%, against a target of 88% (2023: 87% against target of 88%). This measure highlights how satisfied customers are with Phoenix's telephony servicing proposition. The Company continued to measure its customer satisfaction with an approach managed through text message. This approach enables customers to respond if and when they want to and is classed as a cold hand-off.

*Speed of pension transfer payouts*

This is a recognised industry measure, and the Pensions Transfer performance has contributed to the Group earning accreditation with STAR, which is the industry initiative to improve pension transfers for customers. For 2024 the average speed of pension transfer payouts was 11.8 (2023: 11.4) calendar days across Pension to Pension and Pension to Annuity transfers. This is better than the industry average of 11.9 days.

[1] In the UK, Solvency II as modified by the PRA's 2024 reforms became effective from 31 December 2024. Solvency UK has been referred to in this document except for where referring to our Alternative Performance Measures, where we refer to Solvency II in line with the current PRA guidance and consistent with the name of the prudential regime in PRA policy manual.

*Financial ombudsman service ("FOS") overturn rate*
This is an independent view of how the Company is handling complaints. The 2024 FOS overturn rate was 32% (2023: 26%), which is better than the industry average of 35% and the Decumulation, Life and Pensions category average of 40%.

**Operations**
During the year the Company has maintained its existing seventeen with-profits ("WP") funds, of which the Alba WP, Britannic IB WP, Britannic WP, Pearl WP, Phoenix WP, 90% WP, SMA WP, SPL WP and SAL WP funds operate on a 90:10 basis and the 100% WP, SERP, LL WP and NPL WP funds on a 100:0 basis. The shareholder interest in the Heritage WP fund is based on a calculation defined in the scheme. There is no shareholder share of declared bonuses. The German Smoothed Managed WP and the UK Smoothed Managed WP funds have investment elements only and the German WP fund additionally has the cost of guarantees. The business for these three funds is written by a shareholder fund, no bonuses are declared and there is nil estate. The Company also maintains a portfolio of non-profit business for which the profits accrue to the shareholder and which comprises unit-linked life and pensions and conventional life, pensions and permanent health business.

Policy administration is outsourced to the Service companies within the Group, which, in turn, have sub-contracted some administration most significantly to TCS Diligenta and Pensions Regulated Services Limited. The migration of policies from Capita Life to TCS Diligenta was completed in February 2025. Under the Company's agreements with the Service companies, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk. As explained above in the Corporate Activity section the Company is currently undertaking a policy administration migration, which will result in TCS Diligenta being solely responsible for policy administration.

Asset management is outsourced to a diversified range of providers, of which the most significant are Ignis Investment Services Limited and Aberdeen Asset Management plc, both members of the aberdeen group plc and Henderson Global Investors Limited (part of Janus Henderson Investors).

Investment administration and custody services are primarily outsourced to HSBC Security Services.

The performance of the Company's invested assets is reviewed against fund specific, pre-defined benchmarks by the Board, the Investment Committee and the Investment Management Committee, which is an internal management committee.

Phoenix Unit Trust Managers Limited, a wholly owned subsidiary, is the authorised fund manager of a range of collective investment schemes, of which the Group is the majority unitholder.

SunLife Limited, a wholly owned subsidiary, distributes protection products manufactured by the Company in return for a commission.

**Directors' duties under section 172 of the Companies Act**
Section 172 of the Companies Act 2006 ("Section 172") 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 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 most relevant to the Company and its relationships with each are as follows. Please note that consideration of some stakeholder matters is undertaken at Group level. Where this is the case, such consideration is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on these matters in these individual financial statements.

| Strategic priorities key | | |
|---|---|---|
| Optimise our in-force business | Grow organically and through mergers and acquisitions | Enhance our operating model and culture |

| Key stakeholder groups | | |
|---|---|---|
| Customers | Suppliers | Colleagues |
| Our customers span a broad spectrum of products and services, from individual life, pensions and savings business, to BPA and de-risking products for corporate clients.<br><br>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.<br><br>The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities. | Our colleagues, engaged via Group service company arrangements are integral to the Company's success.<br><br>The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy. |

| Link to strategic priorities | | |
|---|---|---|
| Optimise our in-force business; Grow organically and through mergers and acquisitions | Optimise our in-force business; Enhance our operating model and culture | Grow organically and through mergers and acquisitions; Enhance our operating model and culture |
| **How has the Board 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. During the year, there were specific updates on the proposition development process, the approach to consumer understanding and support, analysis on customer complaints and tackling unclaimed assets for with-profits business.<br><br>The Board monitored the impact of the Group's change agenda, including resource required to maintain focus, and the potential impact on, customer outcomes. | The Board received regular reports from management on ongoing customer service performance and outsourced services.<br><br>Relationships with OSPs were monitored via regular updates to the Board.<br><br>The Board received regular updates on customer migration programme activity.<br><br>The Board reviewed the outputs of operational resilience assessment activity, whose scope included a review of the Company's OSPs. Bespoke updates on specific OSPs were provided to the Board during the year. | The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management.<br><br>The Board considered the forward-looking performance metrics proposed for the Group's Annual Incentive Plan with respect to customer performance. In addition, the Board's non-objection was sought for any intended bespoke remuneration plans for functions responsible for the delivery of good customer outcomes. |

| The Board's role in promoting positive stakeholder relationships | | |
|---|---|---|
| The Board holds management to account throughout the year, ensuring due care and attention is given to good customer outcomes and needs, especially in the context of ongoing 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 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 investment decisions we make.<br><br>The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.<br><br>The Group also encourages all colleagues to support our local communities through volunteering. | The Company's sole shareholder is Pearl Life Holdings Limited. As a Phoenix Group company, our ultimate shareholder is Phoenix Group Holdings plc.<br><br>The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers. | The Company is regulated by the PRA, FCA and The Pensions Regulator ("TPR").<br><br>The board acknowledges the importance of maintaining positive relationships with the Company's regulators to enable good outcomes for its customers. |
| **Link to strategic priorities** | | |
| | | |
| **How has the Board engaged with and had oversight of stakeholder views during the year?** | | |
| The Board received regular reporting on its sustainable investments which is a core focus of its Board Investment Committee.<br><br>The Board contributed towards development of the Group's Sustainability Strategy and Stewardship Policy for 2024 and beyond.<br><br>The Board considered and provided feedback in relation to the Company's 2023 Climate Report, in particular with respect to simplifying such reporting in future. | The governance framework within which the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Group.<br><br>During the year both the Group Chief Executive Officer ("CEO") and Group Chief Financial Officer ("CFO") were members of the Board, which further strengthened the link between the Company and the Group. Updates on the Group Board's activity were provided within their regular reporting.<br><br>During the year, the Board approved the payment of dividends to the Group. | The Board received updates on management's interactions with regulators and any feedback received from those bodies.<br><br>The Board considered regular updates in relation to the Group's preparation for implementation of the next phase of the FCA's Consumer Duty for closed products, including an additional meeting focused solely on readiness ahead of the 1 August 2024 go live date. It also reviewed the outputs of the annual assessment of customer outcomes for the Company's open products.<br><br>At the request of the regulators, certain Board directors have met with representatives on a formal basis.<br><br>The Board receives an annual update from the Chair of the Independent Governance Committee, which includes insight into the relationship with TPR.<br><br>The Board received feedback on the external interactions with Government and trade / industry bodies by the Life Companies CEO and the CEO, Savings & Retirement.<br><br>The FCA attended sessions with the Board during the year. |

| The Board's role in promoting positive stakeholder relationships | | |
|---|---|---|
| The Board, through its Investment Committee, monitors investment performance against agreed strategy within the wider parameters of the Group's Sustainability Strategy. | The Board maintains strong links with the Group through regular reporting and interaction with the Group Board and its committees and vice versa. | As the guardian of the Company, (ensuring robust governance, controls and risk management) the Board is responsible for holding management to account for day to day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in the Company and the Group. |

**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.

| Strategic priorities key | | |
|---|---|---|
| Optimise our in-force business | Grow organically and through mergers and acquisitions | Enhance our operating model and culture |

| **Key Board Decision** | **Smoothed Return Pension Fund Launch** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>As part of developing the Group's Individual Retirement proposition, the Board considered a proposal to launch a new customer proposition under the Standard Life brand.<br><br>In reviewing the proposal, the Board noted that the proposition had been developed to provide a means of less volatile investment for customers who may not be comfortable with shorter term market swings. It also noted that the business had ensured that the new proposition satisfied the requirements of the FCA's Consumer Duty, designed to deliver good outcomes for customers.<br><br>The financial impact of the new proposition was reviewed by the Board to satisfy itself as to its viability over the long term. The Board also considered key risks, estimates and judgements associated with the proposition, together with mitigations designed to limit their impact. The findings of independent Line 2 assurance activity were also noted.<br><br>The Board also considered business readiness for launch of the new product, noting that launch was to be subject to a successful pilot phase, as well as meeting key business readiness acceptance criteria, thereby ensuring high standards of business conduct were maintained.<br><br>Finally, the Board acknowledged that the FCA had been briefed on the proposition and that a similar briefing was to be provided to the PRA, thereby ensuring that the views and requirements of the Company's regulatory stakeholders were adequately considered prior to launch. |
| **Outcome** | Following due consideration of the matters set out in Section 172 and after having reviewed the outcome of the pilot phase, the Board approved the launch of the proposition, subject to satisfactory final testing and business readiness completion. |

| **Key Board Decision** | **Equity release mortgage back book sale** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>The Board considered a proposal for the whole loan sale of a back book portfolio of equity release mortgages to an external special purpose vehicle. In terms of the long-term impact of the proposal, the Board noted that it supported the wider Group's vision to be a leading provider of equity release lending to help people in retirement. It would also help to de-risk property risk on Phoenix's balance sheet.<br><br>As part of ensuring that the proposal supported ongoing high standards of business, the Board reviewed the key risks associated with the proposal and mitigants in place to manage those risks. It also noted that the PRA had been notified of the transaction and its feedback had been specifically responded to. Finally, it considered the opinion of a Line 2 review of the proposal, which indicated support for the sale. |
| **Outcome** | Following due consideration of the matters set out in Section 172, the Board approved the sale of the equity release mortgage back book. |

| **Key Board Decision** | **Consumer Duty implementation for closed products** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>Alongside monitoring ongoing compliance with the FCA's Consumer Duty in respect of open products which was implemented in 2023, during 2024 the Board closely tracked the Company's progress toward achieving compliance with the same in respect of closed products. This included receiving regular update reports and attending a standalone education session on the progress of the Group's Consumer Duty programme. As a final step it considered evidence to support the Company's compliance with the Duty ahead of the 1 August 2024 go-live date.<br><br>The Board reviewed work undertaken in relation each of the key dimensions of Consumer Duty, which included: how high priority actions had been addressed; how it would be embedded into business-as-usual activity; readiness of third party and outsourced service providers; a summary of an independent review of Customer Outcomes Monitoring; and a delivery roadmap for additional measures. It also sought specific assurance from management that appropriate funding was available to ensure delivery of product simplification activity associated with Consumer Duty compliance. |
| **Outcome** | Following due consideration of the matters set out in Section 172 and evidence presented, the Board approved a Defined Statement of Compliance in relation to closed book products and position against the specified target outcomes. |

| **Key Board Decision** | **Migration of Phoenix Life policies to a new administration platform** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>Having previously undertaken migrations of legacy policies to a new administration platform between 2020 and 2023, the Board considered a proposal to migrate a further tranche of policies to the new platform.<br><br>In considering the proposal, the Board recognised the long-term benefit of safely moving customers to a more robust platform, which was aligned to the Group's wider strategic objectives.<br><br>The Board considered the proposed phased approach to going live for the migration, alongside the status of migration activity to date against previously agreed business readiness criteria. It also noted that learnings from previous migrations had been incorporated into the proposal. Assurance was also received that risks associated with the migration had been adequately addressed, with the Board noting that this particular tranche was deemed well thought through and low-risk and that work to further de-risk the migration programme in the long term was being explored. |
| **Outcome** | Following due consideration of the matters set out in Section 172, the Board approved the granting of delegated authority to management to facilitate a final go-live decision. The migration subsequently took place in November 2024. |

| **Key Board Decision** | **2024 Sustainability Strategy** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>During the year the Board considered proposals relating to the evolution of the Group's Sustainability Strategy for 2024 and beyond to reflect the changing landscape of the wider Group.<br><br>As part of its consideration, the Board explored Phoenix's ambition across its ESG themes and the journey to meet those ambitions. It also reviewed priority themes for Planet, People, Human Rights, Diversity, Equity & Inclusion and good governance. It also provided challenge in relation to how the strategy's investment ambitions could be reconciled with the practicalities of commercial matters, as well as the complexity of customer engagement. It further sought to understand how the Group was differentiating itself from its peers and was addressing digital inclusion across its customer base. |
| **Outcome** | Following due consideration of the matters set out in Section 172 and evidence presented, the Board approved a Defined Statement of Compliance in relation to closed book products and position against the specified target outcomes. |

| **Key Board Decision** | **Payment of dividend** |
|---|---|
| **Link to strategic priorities** | **How the Board reached its decision** |
| | **Consideration of section 172 matters**<br>On two occasions during 2024, the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available for distributions to the Group.<br><br>When considering each proposal, the Board paid due regard to the long-term impact of those decisions, specifically in the context of capital and liquidity affordability. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposals.<br><br>The Board recognised the importance of being able to provide assurance to the regulator, the PRA, as to its sound and prudent management of the Company's business and noted that the proposals had been shared with the PRA and its observations on the matter responded to. |
| **Outcome** | Following due consideration of the matters set out in Section 172 on each occasion, the Board approved the payments of dividends to the Group. |

**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, enabling the Board to pay due regard to such matters.

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

**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.

**Business review**
All Phoenix Group life company entities operate under the governance and risk management frameworks of the Group. PLL, SLAL, PLCL, RAL and RLL (together the Life Companies) operate joint Boards of Directors, Audit Committees and Risk Committees, which operate under the Group's frameworks whilst having responsibility delegated to them for oversight of policies and activities that only impact the Life Companies.

**Risk management**

***Risk Management Framework***
The Company adopts the Phoenix Group's Risk Management Framework ("RMF") and has a system of governance that embeds clear ownership of risk. The RMF supports the identification, measurement, assessment, management and reporting of risks within approved risk appetites. The Group has an established 'three lines of defence' model. Management (Line 1) is responsible for risk ownership and maintaining effective processes, procedures and controls; the Risk Function (Line 2) provides independent oversight and challenge; and Internal Audit (Line 3) provides objective assurance.

Periodic review of the RMF is an integral part of the system of governance in the Group, and in 2024 the Group adopted ways to further promote individual accountability. In 2025, the Group will look for further opportunities to streamline and augment the framework, including technology solutions that might help further simplify its operation across the Group. Any changes the Group choose to make will be considerate of the 2024 Corporate Governance Code in helping the Board to assess the effectiveness of the RMF.

All Non-Executive Directors receive an induction to the RMF from the Group CRO as part of their onboarding.

The components of the Group's RMF are outlined in the Strategic Report of the Group's Annual Report and Accounts 2024.

***Risk Environment***
The Group continues to operate in an uncertain risk environment with multiple external factors requiring navigation to enable the Group to deliver on its strategic priorities.

Adverse market movements can impact the Group’s capital, solvency, profitability and liquidity position, and influence the certainty and timing of future cash flows and long-term investment performance for shareholders and customers. Regular monitoring of market risk exposures in accordance with the Group Market Risk Policy supported by a hedging strategy helps to reduce the sensitivity of the Solvency II balance sheet to market shocks.

Regional conflicts, an uncertain political landscape and increased global economic fragmentation increase the risk of disruption to global supply chains and impacts to financial markets and the economy. The Group’s Stress and Scenario Testing programme continues to consider a range of adverse circumstances to inform the Group and its Life Companies of the actions needed to respond to external events and further enhance operational and financial resilience.

Bringing the business together into an efficient Group-wide operating model is dependent upon execution of the Group’s migration, transformation and cost efficiency programmes. The Group has prioritised these initiatives, underpinned by strengthened governance to support controlled execution and delivery of intended benefits.

Severe disruption or failure of important business services exposes the Group to increased risk of harm to its strategic priorities, customer outcomes and if prolonged increased operating costs. The Group continues to implement measures to improve and embed operational resilience in-house and with its outsourced service providers and critical third- party suppliers. This includes exploring opportunities emerging technologies whilst ensuring the Group sustains appropriate focus on the Group’s cyber defence capabilities.

***Principal risks and uncertainties***
A principal risk is a risk or combination of risks that could seriously affect the strategic objectives, future performance, or reputation of the Group, including risks that may threaten the Group’s business model, solvency or liquidity.

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of the Group which are outlined in the Strategic report of the Group’s Annual Report and Accounts 2024. All seven Group principal risks are relevant to the Company and are outlined in the sections that follow.

During 2024, 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; Insurance; Credit; Customer; Sustainability; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year are outlined in more detail in note 37 of the financial statements.

The principal risk exposures for the Company relate to the non-profit business and reflect the wide range of products in the funds. The Company is particularly exposed to insurance risk and a number of financial risks arising from its underlying assets and liabilities, including movements in financial markets and property markets, changes in interest rates, widening of credit spreads and the risk of corporate defaults.

Most of the WP funds are strong financially (i.e. do not require shareholder support in meeting their liabilities and capital requirements). Capital is held within the with-profits funds, with this capital belonging primarily to the with-profits policyholders. A risk appetite framework is in place to ensure that the level of risk in each fund is appropriate given the level of capital. In the event that the level of risk needs to be adjusted, various management actions may be taken such as more closely matching assets and liabilities or reinsuring mortality, morbidity or longevity risk.

Unlike the other with-profits funds, the SERP, LL WP and NPL WP funds have exhausted their capital. The shareholder has provided support to the funds to ensure that their assets are sufficient to cover their liabilities, but further support may be required if further losses arise in these funds.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the PRA. The Capital Management Framework is detailed in note 36.

*Strategic risk – Strategic execution*

1. The Group's, including the Company, ability to meet its external obligations is adversely impacted by failure to execute key strategic change programmes

| Impact | Mitigation |
|---|---|
| Execution of migrations, transformation and cost efficiency programmes is essential to bringing our business together into an efficient single Group-wide operating model. In some cases, the Group, and the Company, is reliant on its strategic partnerships with third parties to deliver these changes. These include, but are not limited to, investment management services from aberdeen; custody and fund accounting services from HSBC plc and customer administration from TCS Diligenta.<br><br>Failure to prioritise and have the right capability and capacity (internally or at the third party) to deliver and execute these programmes on time and within agreed costs could negatively impact benefits assumed in the Group's business plan.<br><br>It could also cause significant disruption to the operation of necessary business processes and controls; and the Group, including the Company, is exposed to the risk of failing to deliver good outcomes for its customers, should failures occur in key programmes relevant to its products, propositions or service delivery | Throughout 2024, the Group has continued to enhance its Change Management Framework with strengthened governance to support the safe and controlled mobilisation and delivery of change. The Group has deprioritised some of our change initiatives to maintain focus on delivering the key programmes that support a single Group-wide operating model; and we have enhanced risk monitoring and contingency planning.<br><br>The Supplier Management Model also has robust governance and engagement arrangements to manage relationships with our strategic partners. This includes change prioritisation, capability and capacity planning.<br><br>The Group continues to invest in its operating model to further strengthen the capability required to deliver and execute change effectively.<br><br>Risk appetite, policies and standards for guarding against increased risk of potential harm to customer outcomes are embedded in the Risk Management Framework. As part of our work on Consumer Duty, this includes enhanced customer experience metrics and outcomes monitoring. |

*Strategic risk – Geopolitical instability*

2. The Group, including the Company, is impacted by changes in customer behaviour, economic or political conditions including wider geopolitical instability

| Impact | Mitigation |
|---|---|
| The Group's strategic priorities are adversely impacted by changing customer behaviours resulting from changes in the political landscape, employment trends and rising cost of living anxieties; and changing customer expectations on product simplicity and technology-based service solutions.<br><br>The Group, and the Company, is exposed to disruption from geopolitical instability that could impact the profitability of our products, the value and quality of investments and resilience of the Group's operating model.<br><br>Escalation of regional conflicts and increasing protectionist policies can result in increased cyber-attacks, drive inflationary pressures due to global policy changes and supply-chain disruption, and impact the macroeconomic environment which may impact our balance sheet and new business. | The Group, and the Company, has a continuous programme of customer research, customer outcomes monitoring and fair value assessments that were augmented as part of the Group's response to Consumer Duty.<br><br>The Company continues to explore innovative solutions to improve and simplify the customer experience. This includes partnering with innovative start-ups, and providing user experience and technical delivery insight for product and service offerings.<br><br>The Company continues to monitor activity in the global environment. It regularly explores the impacts of potential scenarios informed by its annual stress testing programme. This supports ongoing assessment of business model resilience and effectiveness of the potential courses of actions available to respond to events.<br><br>Further information on operational resilience is provided in the resilience principal risk category below. |

*Sustainability risk*

3. The Group, fails to understand and respond to risks associated with climate change and other ESG factors

| Impact | Mitigation |
|---|---|
| The Group does not effectively manage material sustainability risks which could impede its ability to meet external commitments and undermine its reputation.<br><br>Climate risk is significant for both the Group, the Company and our customers. To reduce the physical impacts of climate risk, the global economy needs to transition to a low carbon economy.<br><br>The Group is reliant on appropriate global ESG policies that support the transition of the real economy. Anti-climate headwinds in major economies are being monitored by Executive and Board Committees as they are likely to impact global progress in relation to climate change in the medium to long term. | The Group has a clear sustainability strategy in place which includes our response to climate change. This policy is reviewed and refreshed annually.<br><br>Climate change risk is integrated in our RMF. The Company leverages qualitative and quantitative scenario analysis to assess our risk exposure and has put in place a set of key sustainability risk metrics that are regularly monitored.<br><br>There is ongoing focus on climate risk assessment by research and professional bodies. The Company also engages in constructive dialogue with both investee companies and asset management partners. The Company continues to engage with policymakers and market participants to inform our approach and actively drive the wider system change needed to address systemic climate and sustainability risks.<br><br>In the short term, anti-climate headwinds are not expected to materially impact the Company's management of investment portfolios as sustainability expectations are incorporated within investment management agreements. |

*Operational risk - Resilience*

4. The Group, including the Company, or its partners are not sufficiently resilient

| Impact | Mitigation |
|---|---|
| Severe disruption or failure in the provision of important business services, exposes the Group to increased risk of harm to strategic priorities, including delivering good customer outcomes. This increases the risk of reputational damage, regulatory censure and, if prolonged, increased operating costs.<br><br>Such disruptions could occur in-house or at one or more of our strategic partners or third parties on whom the Group, and Company is reliant for services. and can be triggered by a range of factors (such as cyber, geopolitical or environmental). | The Group's Supplier Management Model has robust governance and engagement arrangements to manage relationships with its strategic partners and suppliers; and its Operational Resilience Framework is designed to prevent intolerable harm and support compliance with the regulatory outcomes.<br><br>The Company has implemented solutions to further protect customers from harm in the event of severe but plausible scenarios. The Company is also continually exploring ways to strengthen its cyber security, IT disaster, recovery capabilities and to better equip the incident response teams.<br><br>The Company continues to work closely with its outsource partners, third and fourth-party suppliers to ensure alignment of risk appetite on impact tolerances for operational resilience.<br><br>The Company regularly reviews important business services to ensure the approved levels of resilience are maintained. |

*Operational risk – Regulatory and legislative environment*

5. The Group, including the Company, is impacted by significant changes in the regulatory or legislative environment

| Impact | Mitigation |
|---|---|
| Late identification of new regulations; incorrect impact assessments; and deficiencies in governance can compromise execution of change programmes essential to the Group's strategic priorities.<br>Unplanned diversion of capability and capacity, late adaptation or unwinding of projects can significantly increase the risk of delays in key strategic projects and reduce the benefits assumed in the Group's business plan.<br><br>Failures in planning for regulatory change can leave insufficient time to execute the change safely, increase the risk of negative impact to customer outcomes, drive higher financial costs, and may cause reputational damage or result in regulatory censure. | The Group operates a Regulatory Change Management Framework to ensure we have an effective oversight of all regulatory developments.<br><br>The Framework ensures that there is proactive horizon scanning; awareness of and ownership for any change required at an early stage; that an impact assessment is completed; and appropriate governance is in place to oversee the execution of the change.<br><br>The Group, regularly engages with regulators and policymakers to listen and contribute to discussions on a wide range of matters, including those that could have market-wide and systemic risks. We will continue to monitor developments across the political and regulatory environment during 2025 and use our voice and experience to influence thinking. |

*Operational risk – People*

6. The Group, including the Company, fails to retain or attract a diverse and engaged workforce with the skills needed to deliver its strategy

| Impact | Mitigation |
|---|---|
| The Company requires talented, diverse and engaged people with the right skills and capability to deliver the strategy.<br><br>In 2024 the Group transitioned to a new operating model aligned to business operations, supported by fully integrated finance, risk, human resources and change functions, Uncertainties emanating from this and any future refinements to the operating model, may increase the risk of unplanned losses in critical skills and corporate knowledge. There is a risk that it will be harder to recruit the right capability for specialised or business critical roles in a competitive market.<br><br>This could increase the risk of disruption to business and customer processes and could adversely impact the delivery of critical business change programmes (such as migrations or transformation). | There is ongoing monitoring of the capability and capacity required to support key programme delivery and to ensure the operating environment remains stable.<br><br>To attract and retain colleagues from all backgrounds, the Group has created a shared sense of purpose and commitment to our strategy.<br><br>The Group offers competitive terms and conditions, benefits, and flexibility to foster colleague engagement, which is monitored regularly through employee engagement surveys that track colleague sentiment and enable prompt intervention on areas of concern. |

*Financial markets risk*

7. The Group, including the Company, is exposed to adverse movements in the value of assets or liabilities caused by economic forces, downgrades or counterparty failures

| Impact | Mitigation |
|---|---|
| Adverse market movements, downgrades and deterioration in the creditworthiness; or default of investments, derivatives or banking counterparties can affect certainty and timing of future cash flows and long-term investment performance for the Company and its customers.<br><br>It increases the risk of immediate financial loss, and / or reduced capital, solvency, and liquidity positions that could affect our strategic priorities. | The Company has a well-defined risk appetite with appropriate risk limits and undertakes regular monitoring activities in relation to its market and credit risk exposures.<br><br>It closely monitors and manages its excess capital position, and makes use of hedging, strategic asset allocation, portfolio trading and reinsurance to limit the risk sensitivity of our balance sheet and surplus to market movements. |

The Company regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties, sector concentration, geographies and asset class.

The Group operates a suite of controls over customer funds to ensure exposure to market risk is maintained within the customer's risk appetite. These controls include monitoring of investment manager and external fund performance, reviewing customer funds and making changes as required to manage market and investment risk.

On behalf of the Board

Signed by:
Paul Shakespeare
8EFA4131ABD14C5...

Paul Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

17 June 2025

**Directors' report**

The Company is incorporated in England and Wales. Its registration number is 1016269 and its registered office is 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

***Corporate governance***

The Company adheres to the PRA's Supervisory Statement SS5/16, which sets out the principles as to how a PRA-regulated firm, such as the Company, should govern itself if it is not a listed company and does not, therefore, fall within the remit of the UK Corporate Governance Code (the "Code").

Within the guidelines of SS5/16, PRA-regulated firms are expected to focus on twelve aspects of governance, many of which echo the framework provided by the Code. These twelve aspects of governance, whilst not being as formal as following the Code (which is applied by the Company's ultimate parent, Phoenix Group Holdings plc), provide a framework through which the Board is able to demonstrate that it runs the Company with sound governance at its heart.

This framework is assessed, reviewed and challenged by the Board on at least an annual basis with evidence focusing on the following points. The findings of the review for 2024 are set out below. For the avoidance of doubt, there have been no departures from these aspects of governance through the year:

| Aspect of Governance | Demonstrated by |
|---|---|
| **Setting Strategy** | As noted in the Directors' duties section of the Strategic report which provides an overview of how the directors have regard for their duty in respect of consequences of decisions in the long-term, an annual strategy day is held each June for the Board to debate and challenge the strategy for the Company and input to the overall Group strategy debate. The Chair of the Company (or designated representative) is invited to attend the Group strategy sessions to provide the Board's feedback.<br><br>A more refined view, developed into an Annual Operating Plan, is created for review and sign off at the beginning of each year which maps out the ongoing strategic direction for the following 12 months and up to 5 years thereafter.<br><br>Board agendas are prepared to ensure that the more strategic items have sufficient time for review and challenge.<br><br>During the year, the Board gave considerable focus and challenge to the implementation of the FCA's New Consumer Duty in relation to its closed products. Associated with this, the Board had significant input into how customer outcomes were assessed via metrics designed to understand the extent to which customers:<br><br>• Feel listened to<br>• Are supported<br>• Trust the business<br>• Are able to understand and make informed decisions<br>• Feel their needs are recognised<br>• Feel secure about the future<br><br>Further key matters discussed and challenged at the Board during the year were: the launches of a new smooth managed pension fund and a guaranteed fixed term income product in support of wider Group organic growth; liquidity headroom and the risks and opportunities associated with its management; the response to the PRA relating to its Supervisory Statement on Funded Reinsurance; overseeing the migration of further tranches of Phoenix Life policies to a new administration platform; the Group's Sustainability Strategy; and approval of dividend payments to the Group. |
| **Culture of risk awareness and ethical behaviour** | The Company operates within the overall Group Risk Management Framework. As part of this, on an annual basis, the Board approves a series of risk appetite statements for articulation throughout the Company.<br><br>The Group Risk Function has created and presented its assessment of Risk Culture within the business during the year to the Risk Committee. The dashboard considers 15 specific objectives across Purpose, Psychological Safety and Diversity & Inclusion, Governance & Controls and Leadership with assessments based on a variety of inputs, including colleague surveys and Board / Committee evaluations. |

| | |
|---|---|
| | In respect of remuneration, the Non-Executive Directors input into the proposed objectives and performance ratings for those individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the CEO and their direct reports who are also Senior Management Function Holders). This ensures that these objectives promote an effective culture of risk awareness and ethical behaviour.<br><br>In the same way, the Board was also engaged in the review of any bespoke remuneration plans for business units, and the targets to be included in the Group's Annual Incentive Plan with respect to customer performance, in advance of their consideration by the Group Remuneration Committee. |
| **Risk appetite, risk management and internal controls** | As described above, risk appetite statements are approved by the Board. Oversight of risks, risk management and internal controls is delegated for oversight by both the Board Audit Committee and Board Risk Committee in line with their terms of reference.<br><br>Both the Head of Internal Audit and Chief Risk Officer ("CRO") have access to the Chair of the Board and the Audit Committee to raise any concerns directly. In addition, the CRO has direct access to the Chair of the Risk Committee.<br><br>The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation. |
| **Board composition** | Board skills and associated succession planning are subject to annual review to ensure there is an appropriate mix of skills among the Non-Executive Board members. Our Non-Executive Board members are considered to have the required knowledge to effectively challenge management and to undertake their duties appropriately.<br><br>In 2024, one new Non-Executive Director was appointed, with Karin Cook joining the Board on 1 May 2024. Non-Executive Director, Amanda Bowe, retired on 30 April 2024. During 2024 there were also a number of Executive Director changes. Pete Mayes, Rakesh Thakrar and Brid Meaney stepped down from the Board on 31 March 2024, 31 July 2024 and 19 August 2024 respectively. Arlene Cairns was appointed to the Board on 1 April 2024.<br><br>As a result of these changes, at the end of 2024 the Board comprised 7 Non-Executive Directors (including the Chair) and 3 Executive Directors. Current Chair, John Lister, was considered independent on appointment to the role in 2021.<br><br>There is a division of responsibility between the Non-Executive Chair, who is responsible for the leadership and effective operation of the Board, and the CEO, who is responsible to the Board for the overall management and operation of the Company. |
| **Role of Executive and Non-Executive Directors** | All appointment letters and associated role profiles for Non-Executive Directors specify the requirements of the role to include constructive challenge, scrutiny of management information and the integrity of financial information.<br><br>The 'Matters Reserved' for the Board of the Company specifies those activities for which the Board has retained approval with agendas for each meeting reminding all directors of their responsibilities under Section 172.<br><br>Board meetings, as evidenced through the Board Minutes produced, are an open forum for directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the "day to day management" of the Company to be appropriately delegated through a structure of approved Delegations of Authority. |

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|---|---|
| **Knowledge and experience of Non-executive Directors** | The experience of the Non-Executive Directors is wide across the life insurance industry and all have received a comprehensive induction on the business of the Company.<br><br>A skills assessment is in place which identifies an individual's area of expertise such as accountancy, with-profits management, risk management, life and pensions and investments. This assessment demonstrates that our Non-Executive Directors have a substantial number of years' experience on the matters close to our Company.<br><br>During the year, the Board is provided with regular education sessions to support any gaps in knowledge and to promote continuous professional development. During 2024, the Board received deep dives on the following topics:<br><br>• Proposition Development Process<br>• New Consumer Duty: Approach to Consumer Understanding and Support<br>• Matching Adjustment Assumptions Attestation<br>• IFRS17<br>• Capital Quality Methodology<br>• Solvency II Reforms<br>• Ongoing development of strategic pension partnership arrangements<br>• Pensions & Savings and Standard Life Customers |
| **Board time and resource** | The Board met for nine scheduled Board meetings in 2024, either in person or via video conference and one scheduled Sub-Committees meeting in relation to further Part VII transfer activity.<br><br>A further six out of cycle meetings were held: two to consider the 2024 Annual Operating Plan; one to consider the Company's Solvency and Financial Condition Report and Solvency II Pillar 3 reporting prior to regulatory submission; one to approve the Company's annual financial statements; one to approve the 2024 half year Solvency II results; and one to consider payment of a cash remittance to the Group. As well as the Board, a number of Board Committees responsible for overseeing Audit, Risk, Nomination, With-Profits, Investment and Model Governance matters, have also been in operation during the course of the year.<br><br>The Board Nomination Committee undertakes a review of the estimated time commitment required by a Non-Executive Director to support the Company's activities on an annual basis. For 2024 this was completed at its March meeting.<br><br>Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the Board Nomination Committee and Board in advance, during which time it is confirmed that the time commitment required will not impact their availability for Company matters. |
| **Management information (MI) and transparency** | Each Board meeting includes a formal CEO and other Company Officer reporting, together with other key Management Information ("MI") reports (which includes Customer Treatment, Customer Complaints, Financial and Operational Capacity MI), as well as reports from the Board's committees.<br><br>The Group CEO is also CEO of the Company, further strengthening the link, through management representation, between the Group and Life Boards. |
| **Succession planning** | The performance of the CEO and their direct reports is considered at least annually in private sessions facilitated by the Group HR Director with the Non-Executive Directors during which more informal discussions on succession planning may take place.<br><br>During 2024 the Board Nomination Committee considered Non-Executive Director succession planning matters with particular reference to the forthcoming retirements of three Board Members in late 2024 and in 2025. This review incorporated a skills audit exercise to support long term succession planning. The Board formally reviewed its Succession Policy in November 2024. |

| | |
|---|---|
| **Remuneration** | Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements linked to the Company's strategic objectives. In addition, the Non-Executive Directors consider and opine on the performance outcomes of the individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the CEO). |
| **Subsidiary boards** | Within the scope of Board updates, there is the flexibility to consider the activities of the Company's subsidiary companies. For example, the Board receives regular updates from SunLife Limited. More broadly, a summary update of any activity of the Company's subsidiaries is provided on a six-monthly basis where appropriate.<br><br>The Group CEO is an executive director of both the Company and the Group, as was the Group CFO until he stepped down as a director of the Company during the year. In the case of each individual, conflicts of interest were assessed for each agenda item and, where appropriate, they were recused from decision making at the meeting.<br><br>The Phoenix Life Companies (of which the Company is one) Board Matters Reserved clearly state those matters which are in the gift of the Board and those which require Group oversight, in support of balancing the obligations of the Company within the context of the wider Group. |
| **Board committees** | The terms of reference of the committees of the Board of the Company document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model. |

***Financial instruments***
Details of the Company's financial risk management objectives and policies in respect of its use of financial instruments are included in note 37 to the financial statements.

***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. Notes 36 and 37 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.

The Annual Operating Plan ("AOP") sets out three year forecasts under base and stress scenario projections using a variety of stress scenarios and was approved by the Board on 21 November 2024.

The plausible downside scenario projections reflect the impact of market disruption over the forecast period, assuming a stress duration of one year from December 2024. The projection uses the below stress calibrations:

- 15bps increase in gilts spread rise
- 85bps increase in Credit – A rated 15 year
- 25bps increase in RPI inflation – 10 year
- GBP 5% up vs EUR on exchange GBP vs Euro
- GBP 10% up vs USD on exchange GBP vs USD
- One notch credit quality downgrade on 10% shareholder liquid / illiquid assets (excluding UK sovereign)
- 15% reduction in equities
- 10% reduction in Residential Property
- 17.5% reduction in Commercial Property

For the 3 year forecast period to which the downside scenario was applied, at all times the Company is anticipated to maintain sufficient headroom to meet its Capital Management Policy ("CMP") buffer over and above the SCR.

Stress testing has additionally been carried out against a market down 1-in-10, severe downside and other non-economic scenarios in accordance. The projections demonstrated that excess capital over the CMP would remain in the Company under all scenarios at the scenario low points over the 3 year forecast period.

The Company's CMP is set annually and was last approved by the Board in October 2024. The Company's existing CMP buffer and calibrations remain robust and appropriate.

The Company is anticipated to be able to meet headroom of liquid assets over projected cash flows including internally imposed liquidity buffers under base conditions, and also under a combined 1 in 200 stress scenario, supporting cash generation in the going concern period assessed up to 30 June 2026. 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 continue in operational existence over the going concern period assessed up to 30 June 2026. 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:

| | |
|---|---|
| A H Bowe | (resigned 30 April 2024) |
| A D Briggs | |
| A Cairns | (appointed 1 April 2024) |
| K A Cook | (appointed 1 May 2024) |
| I A Craston | |
| A B Curran | (resigned 8 May 2025) |
| J S Gill | |
| R Harris | |
| T W Harris | |
| J R Lister | |
| P K Mayes | (resigned 31 March 2024) |
| B M Meaney | (resigned 19 August 2024) |
| M J Muir | (appointed 1 January 2025) |
| N H Poyntz-Wright | (resigned 31 December 2024) |
| R K Thakrar | (resigned 31 July 2024) |

**Secretary**
Pearl Group Secretariat Services Limited acted as Secretary throughout the year.
**Branches**
The Company currently has a branch in Hong Kong.

**Matters disclosed in strategic report**
The strategic report covers future developments and any dividends paid.

**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.

**Auditor appointment**
On 25 July 2024, Ernst & Young LLP resigned as auditors having reached the maximum period of service for an auditor of a Public Interest Entity under the mandatory auditor rotation requirements. In accordance with section 485 of the Companies Act 2006, KPMG LLP were appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006. The appointment of KPMG LLP as auditor of the Company was approved by the Board.

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

On behalf of the Board

Signed by:
Paul Shakespeare
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Paul Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

17 June 2025

**Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law, including FRS 102 and FRS 103.

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 the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

**Independent auditor's report to the members of Phoenix Life Limited**

**1 Our opinion is unmodified**

We have audited the financial statements of Phoenix Life Limited ("the Company") for the year ended 31 December 2024 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, and the related notes, including the accounting policies in note 2, except the information being disclosed as unaudited in Note 37(t).

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 7 October 2024. The period of total uninterrupted engagement is for the one financial year ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

**2 Key audit matters: our assessment of risks of material misstatement**

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures.

These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

| **Key Audit Matter** | **The risk** | **Our response** |
|---|---|---|
| Valuation of long-term business provisions<br><br>(2024: £75,148 million)<br><br>*Refer to page 45 (accounting policy) and pages 72 to 77 (financial disclosures)* | **Subjective valuation**<br><br>The valuation of long-term business provisions is an inherently subjective area, requiring management judgement in the setting of key assumptions. The longevity base and improvement assumptions and expense assumptions involve the greatest level of subjectivity. A small change in these assumptions can have a significant impact on the estimates of future cash flows. | We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. We used our own actuarial specialists to assist us in performing procedures over methodology choice and assumptions in this area.<br><br>Our procedures to address the risk included:<br><br>**Control design and implementation:** Testing of the design and implementation of key controls over the valuation process, including the setting of assumptions, for long-term business provisions. |

| | | |
|---|---|---|
| | **Longevity assumptions**<br><br>Longevity assumptions have two main components: mortality base assumptions and the rate of mortality improvements. The changing trends in longevity and emerging medical trends mean there is a high level of uncertainty in the assumptions. This uncertainty is heightened due to the potential medium and long-term impacts of COVID-19, pressures on the NHS and the economic outlook. There is also a high degree of expert judgement in the calibration of the Cause-of-Death model which management uses to derive the mortality improvement assumptions.<br><br>**Expense assumptions**<br><br>Judgement is required in setting the maintenance expense assumption which is based on management's long-term view of the expected future costs of administering the underlying policies and is also informed by expected inflation in costs and the allocation between cost centres and maintenance rather than other activities such as the acquisition of new business.<br><br>**Discount rates used for certain annuity portfolios**<br><br>The Company uses Solvency II discount rates for the valuation of long-term business provisions under UK GAAP, which comprise of a risk-free rate plus a Matching Adjustment for certain annuity portfolios. The Matching Adjustment is an adjustment to increase the discount rate used to calculate the long-term business provisions to reflect appropriate matching between the characteristics of the underlying asset portfolio and the annuity liability cashflows.<br><br>There is a risk that errors in the calculation of the Matching Adjustment or the underlying asset data could result in material misstatements in the valuation of long-term business provisions. This is due to the complexity of the calculation and the reliance on complete and accurate asset data.<br><br>**Policy holder data**<br><br>There is a risk that incomplete and inaccurate data is used in the calculation of long-term business provisions resulting from error in conversion of aggregate data from the policy administration systems into model point files used to value the liabilities in the actuarial models. | **Methodology choice:** Assessing the appropriateness of the methodology for selecting assumptions by applying our understanding of developments in the business and expectations derived from market experience, including consideration of the effects of uncertain economic conditions on policyholder longevity.<br><br>**Historical comparisons:** Evaluating the longevity base assumptions used in the valuation of the long-term business provisions by comparing to historic mortality experience.<br><br>**Benchmarking assumptions:** Assessing longevity improvement assumptions against industry data on expected future mortality rate improvements and industry historical mortality improvement rates.<br><br>**Test of detail:**<br><br>• Evaluating whether the expense assumptions reflect the expected future costs of administering the underlying policies by considering the historical accuracy of management's forecast expenses, analysing the allocations of the forecast costs to maintenance expenses with reference to the historical allocations and future plans, and inclusion of benefits arising from cost saving initiatives and ongoing transformation programmes.<br>• Performing a full independent recalculation of the Matching Adjustment and resulting discount rates.<br>• For a sample of assets, validating the accuracy of the asset data used to project the cashflows used to derive the yield used in the calculation of the discount rate and reprojecting these cash flows.<br>• Tracing samples of policyholder data inputs into the actuarial valuation model to the underlying policy documents.<br>• Testing the completeness of data used in the valuation of the long-term business provision by reconciling the data from the policy administration system to the data used in the actuarial models.<br>• By utilising data and analytics procedures, testing the accuracy of historical data input into the actuarial model by comparing the data used for reporting as at 31 December 2024 to the data used for reporting as at 31 December 2023 in relation to policies that were in force at that time.<br><br>**Assessing transparency:** Considering whether the disclosures in relation to the assumptions used in the calculation of the valuation of long-term business provisions are compliant with the relevant accounting requirements.<br><br>**Our results:**<br><br>We found the resulting estimate of the valuation of long-term business provisions to be acceptable. |

| | | |
|---|---|---|
| | **Estimation uncertainty**<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of long-term business provisions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. | |

| Key Audit Matter | The risk | Our response |
|---|---|---|
| Valuation of certain illiquid financial investments<br><br>(2024: £10,311 million)<br><br>*Refer to page 37 (accounting policy) and pages 61 to 66 (financial disclosures).* | **Subjective valuation**<br><br>5% of the investment portfolio as at 31 December 2024 was classified as Level 3 assets. Of this we consider the valuation of modelled debt securities and equity release mortgages backing long-term business provisions in the shareholder (rather than with profits or unit-linked) fund to involve the greatest level of subjectivity.<br><br>The subjectivity of the asset valuations remains heightened due to the current economic conditions caused by the ongoing uncertainties as a result of higher inflation and higher market interest rates.<br><br>For these positions a reliable third-party price from a recent market transaction is not readily available and therefore the application of expert judgement from management in the valuations adopted is required.<br><br>The key assumptions underlying the valuations are:<br>• Modelled debt securities: credit ratings that are not provided by external credit rating agencies.<br>• Equity release mortgages: spread.<br><br>**Estimation uncertainty**<br><br>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain illiquid financial investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. | We used our own actuarial, valuation and credit specialists in order to assist us in performing procedures over methodology and assumptions in this area.<br><br>Our procedures to address the risk included:<br><br>**Test of controls**<br><br>Control design and implementation:<br><br>• Testing of the design and implementation of key controls over the valuation process for modelled debt securities and equity release mortgages.<br><br>• Control operation: Testing of the operating effectiveness of key controls over the credit rating process for modelled debt securities.<br><br>**Our valuation expertise:**<br><br>• Using our own valuation specialists to assess the suitability of the valuation and credit rating methodologies used by the Company, and to independently recalculate a sample of the credit ratings derived from credit rating models; and<br><br>• Using our own actuarial specialists to evaluate the appropriateness of the assumptions used in the valuation of equity release mortgages with reference to data on the Company's recent mortgage originations.<br><br>**Methodology choice:** Assessing the appropriateness of the credit rating methodologies for modelled debt securities investments and equity release mortgages with reference to relevant accounting standards and the Group's own valuation guidelines as well as industry practice. |

| | | |
|---|---|---|
| | | **Assessing transparency:** Assessing whether the disclosures in relation to the valuation of illiquid financial investments are compliant with the relevant financial reporting requirements and that the sensitivities of the valuation to alternative assumptions are appropriately presented.<br><br>**Our results:**<br><br>We found the resulting estimate of the valuation of certain illiquid investments to be reasonable. |

**3 Our application of materiality and an overview of the scope of our audit**

Materiality for the Company financial statements as a whole was set at £45 million, determined with reference to a benchmark of Company's total net assets, adjusted for the increase in temporary new business strain from the high volume of Bulk Purchase Annuities (BPAs) written in the last quarter of 2024. We selected Company net assets as the benchmark, owing to the focus of users of the financial statements on the Company's ability to pay dividends, and adjusted for the effect of the large volume of BPAs written late in the year because of the timing difference as these deals trade up the premiums received to their planned asset strategies. Materiality represented 2.3% of the adjusted benchmark.

We selected Company's adjusted net assets as the benchmark owing to the focus of users of financial statements on the Company's ability to pay dividends as this ability is highly dependent on the amounts that can be distributed to the shareholder.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% of materiality for the financial statements as a whole, which equates to £29 million. We applied this percentage in our determination of performance materiality based on our expectation of an increased level of identified misstatements and driven by the level of change within the business and the potential for that to impact the control environment during this period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £2 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We applied higher materiality for certain balances relating to the unit-linked and with-profits business in the statement of financial position, statement of comprehensive income and related notes, in accordance with the FRC Practice Note 20 'The Audit of Insurers in the United Kingdom'. This is because the changes in these balances are offset by changes in related balances such that the impact on the profit attributable to the shareholder is eliminated (in case of unit-linked asset) or significantly reduced (in case of with profit funds). The higher materiality amounts were as follows:

- For unit linked assets and corresponding unit linked liabilities we applied materiality of £1.1 billion which represents 0.9% of the total unit linked assets balance. Performance materiality was set at 65% of materiality which equates to £731 million. We applied this percentage in our determination of performance materiality based on our expectation of an increased level of identified misstatements and driven by the level of change within the business and the potential for that to impact the control environment during this period. We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £51 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.
- For unsupported with-profits fund assets and liabilities we applied materiality of £446 million which represents 1.07% of the total with-profits assets balance. Performance materiality was set at 65% of materiality which equates to £290 million. We applied this percentage in our determination of performance materiality based on our expectation of an increased level of identified misstatements and driven by the level of change within the business and the potential for that to impact the control environment during this period. We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £20 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Company's internal control over financial reporting.

## 4 Going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment including, but not limited to, interest rates and inflation, wider credit spreads, defaults and property price movements which affect regulatory capital solvency coverage ratios, liquidity ratios, the valuations of the Company's illiquid financial investments and valuation of long-term business provisions; and
- Severely adverse policyholder lapse or claims experience.

We considered whether these risks could plausibly affect the liquidity and solvency in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the director' assessment of going concern, including the identified risks and related stress tests.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

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

## 5 Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud.*

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

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit Committee, and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Inspecting correspondence with regulators to identify instances or suspected instances of fraud.
- Reviewing the audit misstatements from prior period to identify fraud risk factors.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and exercise bias in accounting estimates and judgements such as the valuation of long-term business provisions and certain illiquid financial investments.

We do not believe there is a fraud risk related to revenue because there is limited management judgement involved in the recognition of and measurement of material revenue streams.

We identified a fraud risk related to long-term business provisions and certain illiquid financial investments. Further detail in respect of long-term business provisions and certain illiquid financial investments is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included, but were not limited to, those posted by unauthorised personnel, those posted to seldom used accounts and are linked to an estimate, those posted to unusual accounts and journals impacting cash balances that were identified as unusual or unexpected in our risk assessment procedure.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

*Identifying and responding to risks of material misstatement relating to compliance with laws and regulations*

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such effect: regulatory capital and liquidity requirements, conduct regulation and certain aspects of Company legislation recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

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

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

**6 We have nothing to report on the strategic report and the directors' report**

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

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

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

**7 We have nothing to report on the other matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

**8 Respective responsibilities**

***Directors' responsibilities***

As explained more fully in their statement set out on page 23, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

***Auditor's responsibilities***

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

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

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

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

**James Anderson (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
KPMG LLP
15 Canada Square, London, E14 5GL
17 June 2025

## Statement of comprehensive income
for the year ended 31 December 2024

| **Long term business technical account** | Notes | 2024 £m | 2023 £m Restated (Note 4) |
|---|---|---|---|
| Gross premiums written | 6 | 7,337 | 7,278 |
| Outward reinsurance premiums | 7 | (1,973) | (1,895) |
| **Earned premiums, net of reinsurance** | | 5,364 | 5,383 |
| Investment income | 8 | 7,881 | 1,151 |
| Unrealised gains on investments | 8 | 4,781 | 10,161 |
| Other technical income | 9 | 677 | 300 |
| Claims paid: | | | |
| Gross amount | | (7,596) | (4,813) |
| Reinsurers' share | | 1,682 | 1,738 |
| **Claims paid net of reinsurance** | | (5,914) | (3,075) |
| Change in provision for claims: | | | |
| Gross amount | | (18) | (9) |
| Reinsurers' share | | 1 | 1 |
| **Change in provision for claims net of reinsurance** | | (17) | (8) |
| **Claims incurred net of reinsurance** | | (5,931) | (3,083) |
| Change in long term business provision: | | | |
| Gross amount | | 511 | (8,102) |
| Reinsurers' share | | 307 | 1,126 |
| **Change in long term business provision net of reinsurance** | | 818 | (6,976) |
| Change in technical provision for linked liabilities, net of reinsurance | | (11,713) | (5,637) |
| **Change in technical provisions net of reinsurance** | | (10,895) | (12,613) |
| Net operating expenses | 10 | (1,139) | (906) |
| Investment expenses and charges | 8 | (162) | (146) |
| Other technical charges | 11 | (171) | (47) |
| Tax (charge) / credit on long term business | 14 | (131) | 4 |
| Transfer from fund for future appropriation | | 5 | 49 |
| **Balance on long term business technical account** | | 279 | 253 |

The accompanying notes on pages 36 to 96 are an integral part of these financial statements.

## Statement of comprehensive income
for the year ended 31 December 2024

| **Non-technical account** | Notes | 2024 £m | 2023 £m Restated (Note 4) |
|---|---|---|---|
| Balance on long term business technical account | | 279 | 253 |
| Tax charge on long term business | 14 | 26 | 37 |
| **Balance on long term technical account before tax** | | 305 | 290 |
| Investment income | 8 | 16 | 24 |
| Unrealised (losses) / gains on investments | 8 | (4) | 1 |
| Investment expenses and charges | 8 | (1) | - |
| **Profit on other activities** | | 11 | 25 |
| **Profit on ordinary activities before tax** | | 316 | 315 |
| Tax charge on ordinary activities | 14 | (26) | (39) |
| **Profit for the year** | | 290 | 276 |
| **Total other comprehensive income for the year** | | 290 | 276 |

The accompanying notes on pages 36 to 96 are an integral part of these financial statements.

## Statement of financial position - assets
as at 31 December 2024

| | Notes | As at 31 December 2024 £m | As at 31 December 2023 £m Restated (note 4) |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 16 | 97 | 78 |
| Investments | | | |
| Land and buildings | 17 | 651 | 691 |
| Investments in group undertakings and participating interests | 18 | 28,362 | 32,763 |
| Other financial investments | 19 | 47,559 | 44,874 |
| | | 76,572 | 78,328 |
| Assets held to cover linked liabilities | 30 | 124,122 | 112,456 |
| Reinsurers' share of technical provisions | | | |
| Long-term business provision | 31 | 6,595 | 6,325 |
| Claims outstanding | | 4 | 4 |
| Technical provisions for unit-linked liabilities | 31 | 9,744 | 9,939 |
| | | 16,343 | 16,268 |
| Debtors | | | |
| Debtors arising out of direct insurance operations | | 236 | 190 |
| Debtors arising out of reinsurance operations | | 74 | 72 |
| Other debtors | 23 | 2,583 | 2,299 |
| | | 2,893 | 2,561 |
| Other assets | | | |
| Cash at bank and in hand | 24 | 465 | 484 |
| Deferred tax asset | 25 | 29 | 149 |
| | | 494 | 633 |
| Prepayments and accrued income | | | |
| Deferred acquisition costs | 26 | 211 | 233 |
| Other prepayments and accrued income | 27 | 163 | 181 |
| | | 374 | 414 |
| **Total Assets** | | 220,895 | 210,738 |

The accompanying notes on pages 36 to 96 are an integral part of these financial statements.

## Statement of financial position – equity and liabilities

as at 31 December 2024

| | Notes | As at 31 December 2024 £m | As at 31 December 2023 £m Restated (note 4) |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Called up share capital | 28 | 69 | 69 |
| Share premium | | 1 | 1 |
| Other reserves | 29 | 1,006 | 1,828 |
| Profit and loss account | | 665 | 375 |
| **Total capital and reserves** | | 1,741 | 2,273 |
| **Liabilities** | | | |
| Fund for future appropriations | | 930 | 937 |
| Technical provisions | | | |
| Long-term business provision | 31 | 75,148 | 76,012 |
| Claims outstanding | | 603 | 616 |
| | | 75,751 | 76,628 |
| Technical provisions for linked liabilities | 31 | 135,076 | 123,531 |
| Provisions for other risks | | | |
| Other provisions | 32 | 32 | 34 |
| | | 32 | 34 |
| Deposits received from reinsurers | | 1,998 | 2,383 |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 57 | 43 |
| Creditors arising out of reinsurance operations | | 132 | 118 |
| Amounts owed to credit institutions | 33 | 31 | 45 |
| Other creditors including taxation and social security | 34 | 5,025 | 4,641 |
| | | 5,245 | 4,847 |
| Accruals and deferred income | 35 | 122 | 105 |
| **Total liabilities** | | 219,154 | 208,465 |
| **Total equity and liabilities** | | 220,895 | 210,738 |

The accompanying notes on pages 36 to 96 are an integral part of these financial statements.

DocuSigned by:

AD52068E2615406...

Arlene Cairns

On behalf of the Board

17 June 2025

Company registration number 01016269

## Statement of changes in equity
for the year ended 31 December 2024

| | Called up share capital (note 28) | Share premium | Other reserves (note 29) | Profit and loss account | Total capital and reserves |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Balance at 1 January 2024 | 69 | 1 | 1,828 | 375 | 2,273 |
| Profit for the financial year | - | - | - | 290 | 290 |
| Total comprehensive income for the financial year | - | - | - | 290 | 290 |
| Capital contribution received | - | - | 189 | - | 189 |
| Capital contribution repayment | - | - | (419) | - | (419) |
| Part VII transfer (note 5) | - | - | 8 | - | 8 |
| Dividends paid on ordinary shares | - | - | (600) | - | (600) |
| Balance at 31 December 2024 | 69 | 1 | 1,006 | 665 | 1,741 |

| | Called up share capital (note 28) | Share premium | Other reserves (note 29) | Profit and loss account | Total capital and reserves |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Balance at 1 January 2023, as previously reported | 69 | 1 | 1,317 | 591 | 1,978 |
| Restatement (note 4) | - | - | - | 43 | 43 |
| Balance at 1 January 2023, as restated | 69 | 1 | 1,317 | 634 | 2,021 |
| Profit for the financial year | - | - | - | 276 | 276 |
| Total comprehensive income for the financial year | - | - | - | 276 | 276 |
| Capital contribution received | - | - | 250 | - | 250 |
| Capital contribution repayment | - | - | (850) | - | (850) |
| Part VII transfer in (note 5) | - | - | 1,143 | - | 1,143 |
| Part VII transfer out (note 5) | - | - | (32) | - | (32) |
| Dividends paid on ordinary shares | - | - | - | (535) | (535) |
| Balance at 31 December 2023 | 69 | 1 | 1,828 | 375 | 2,273 |

Of the above, £1,634m (2023: £2,153m) is considered distributable.

The accompanying notes on pages 36 to 96 are an integral part of these financial statements.

**Notes to the Financial Statements**

**1. Basis of preparation**

The financial statements for the year ended 31 December 2024, set out on pages 31 to 96 were authorised by the Board of Directors for issue on 10 June 2025.

The financial statements have been prepared on a historical cost basis except for investment property, investments in subsidiaries and associates and those financial assets and financial liabilities that have been measured at fair value.

Assets and liabilities are offset and the net amount reported in the Statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. An exception is the presentation of assets held to cover linked liabilities on the Statement of financial position. Unit linked funds contain both assets and non-technical provision related liabilities and as such the liabilities have been presented with the assets when reporting the total of assets held to cover linked liabilities on the Statement of financial position. Details of the amounts are given in note 30. Income and expenses are not offset in the Statement of comprehensive income unless required or permitted by a financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

These financial statements are separate financial statements and the exemption in section 400 of the Companies Act 2006 has been used not to present consolidated financial statements. The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc, a company incorporated in England and Wales. Copies of the Phoenix Group Holdings plc consolidated financial statements can be obtained from their company website, www.thephoenixgroup.com.

***Going Concern***

The Board has considered financial projections which demonstrate the ability of the Company to withstand market shocks in a range of scenarios, including very severe ones. In assessing the appropriateness of the going concern basis, the Board considered base case and stress scenario projections. The plausible downside scenario projected market stress reflecting tighter credit conditions, a deep recession driven by a further short-term increase in inflation, falls in equities, properties, increased interest rates and credit spreads, a UK sovereign downgrade and credit asset downgrades during 2025.

The projections demonstrated that excess capital would remain in the Company under the plausible downside scenario, supporting cash generation in the going concern period to 30 June 2026, and that liquidity was adequate to meet liabilities as they fell due. Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

***Statement of compliance***

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") & Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") (together "UK GAAP") in conformity with the Companies Act 2006. The provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies also apply to the Company.

The Company is considered to be a qualifying entity under FRS 102 and has applied the exemptions available in respect of the following disclosures:

- Cashflow statement and related notes
- Key management personnel compensation
- Related party transactions between two or more wholly owned subsidiaries of Phoenix Group Holdings plc.

**2. Accounting Policies**

**a) Critical accounting estimates and judgements**

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, income and expenses. 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.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the measurement of insurance and investment contract liabilities and determination of the fair value of financial assets and liabilities.

Details of all critical accounting estimates and judgements are included below.

| **Financial statement area** | **Critical accounting estimates, judgements and assumptions** | **Related notes** |
|---|---|---|
| Technical provisions | Technical provisions use economic assumptions as well as non-economic assumptions such as future expenses, longevity and mortality. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2024, there were no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends. Further details as to how assumptions are set is included in note 37.<br><br>The valuation technical provisions is sensitive to the assumptions which have been applied in their calculation. Details of the Company's sensitivity (unaudited) to annuitant longevity and other key insurance risks on a Solvency UK basis is set out within note 37.<br><br>Accounting for technical provisions is discussed in more detail in accounting policies (q) with further detail of the key assumptions made in determining technical provisions included in the notes to the accounts. | 31 |
| Guarantees and options | The Company is required to estimate the value of future guarantees and options for the with profits contracts. These estimates are subject to uncertainty and may not represent the ultimate amounts paid out to satisfy claims by policyholders (even before allowing for future enhancements to distribute the surplus assets). However, this risk of estimation uncertainty is offset, due to the fact that in all reasonably foreseeable circumstances, any change in the estimates of the value of options and guarantees will result in an offsetting movement in either asset shares or the fund for future appropriations. Since the fund for future appropriations is presented as a liability, the total liabilities recognised for contracts within the with profits funds is not subject to significant estimation uncertainty.<br><br>The measurement of investment contracts is mainly comprised of the value of the underlying units and is not subject to significant estimation uncertainty. | 31 |
| Fair value of financial assets and liabilities | The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (k). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, 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 and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values.<br><br>Longevity contracts classified as derivatives are valued by models on actuarial bases. These are unobservable inputs and are classified as Level 3 financial instruments. | 22 |

| Financial statement area | Critical accounting estimates, judgements and assumptions | Related notes |
|---|---|---|
| Investment property | The fair value of commercial investment property is based on valuations provided by external property valuation experts having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, having regard to the condition of the property and local market conditions. Property valuations are carried out in October of each year. These valuations are in accordance with the Royal Institute of Chartered Surveyors ("RICS") guidelines. Management makes an assessment on 31 December to determine if these valuations will be adopted and if any valuation adjustments are required. | 17 |
| Income taxes | Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all the available evidence, it can be regarded as probable that there will be suitable taxable profits against which the losses can be relieved. Forecasts of future profitability are made which by their nature involve judgement. The distinction between timing differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets.<br><br>The accounting policy for income taxes (both current and deferred taxes) is discussed in more detail in accounting policy (f). | 14 |
| Investment in subsidiaries | The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company’s strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments.<br><br>The accounting for both types of subsidiaries, including determining whether the company has control over its subsidiaries for investment purposes, is discussed in more detail in accounting policy (j). Both types of subsidiary are held at fair value through profit or loss and are subject to the factors set out in the critical estimate above. | 18 |

**How climate risk affects our accounting estimates and judgments**

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, insurance and investment contract liabilities. 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 held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to determine fair value reflects current information and market sentiment regarding the effect of climate risk. For the valuation of level 3 financial instruments, there are no material unobservable inputs in relation to climate risk. Note 37 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk.

Insurance and investment contract liabilities with discretionary participation features (“DPF”) use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. While the impact if climate change on longevity assumptions has been considered, as at 31 December 2024 there are no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company’s results to annuitant longevity and other key insurance risks are set out in note 37.

The assessment of impairment is based on value in use calculations. Value in use represents the value of future cash flows and uses the Company’s three-year annual operating plan and the expectation of long-term economic growth beyond this period. The three-year annual operating plan reflects management’s current expectations on competitiveness and profitability and reflects the expected impacts of the process of moving towards a low-carbon economy. No impairment indicators were identified in relation to the impacts of climate related risks on the Company’s competitiveness and profitability.

**b) Non-technical account allocation**

Income and expenses on certain items such as intercompany loans and investments in strategic subsidiaries are allocated to the non-technical account as they relate to Group financing and structure rather than long-term insurance business. All other items of income and expenses have been attributed to the technical account. The Company only contains long-term business as any other activities within the Group are managed in separate entities.

**c) Income recognition**

***Gross premiums written***

In respect of insurance contracts and investment contracts with DPF, premiums are accounted for on a receivable basis and exclude any taxes or duties based on premiums. Funds at retirement under individual pension contracts converted to annuities with the Company are, for accounting purposes, included in both claims incurred and premiums within gross premiums written.

The classification of insurance and investment contracts is covered in policy (p) below.

***Reinsurance premiums***

Outward reinsurance premiums are accounted for on a payable basis. Reinsured premiums include fixed monthly payments made under longevity swap arrangements.

Reinsurance premiums include amounts receivable as refunds of premiums in cases where the Company cancels arrangements for the reinsurance of risk to another insurer.

***Fees and commissions***

Fee and commission income is shown under other technical income in the Statement of comprehensive income and relates to the following:

- investment contract income – investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those periods. ‘Front end’ fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of investment management services are deferred and recognised as the services are provided; and
- release of deferred income reserve.

***Investment income and expense***

Investment income comprises interest, dividends, rents receivable and realised gains and losses. These are recognised in the Statement of comprehensive income as follows:

- Interest income - as it accrues using the effective interest method.
- Dividend income - on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.
- Rental income from investment property - on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Realised gains and losses are the difference between the net sale proceeds and the original cost.

***Unrealised gains/ losses***

Unrealised gains and losses in respect of long term business are included in the long term business technical account. Other unrealised gains and losses, including gains and losses on investments in subsidiaries held for strategic purposes, are included in the non-technical account.

Fair value gains and losses on financial assets designated at fair value through profit or loss are recognised as income or expense in the Statement of comprehensive income.

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.

**d) Transfers of business**

Where the Company participates in a transfer of insurance business scheme under Part VII of the Financial Services and Markets Act 2000 and the ultimate shareholders remain the same, the transaction constitutes a business combination as part of a Group reconstruction. On initial recognition, the transferred assets and liabilities are measured at the carrying value in the transferring company and the resulting gain or loss is included within equity.

**e) Benefits, claims and expenses recognition**

***Gross benefits and claims***
Claims on insurance contracts and investment contracts with DPF reflect the cost of all claims arising during the period, including policyholder bonuses allocated in anticipation of a bonus declaration. Claims payable on maturity are recognised when the claim becomes due for payment and claims payable on death are recognised on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within insurance contract liabilities. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

***Reinsurance* claims**
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Reinsured claims include variable monthly claim recoveries received under longevity swap arrangements.

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

**f) Tax**
Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in the Statement of comprehensive income 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 recognised in respect of timing differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. 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.

The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on owners' returns. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to owners for the year. Deferred tax assets and liabilities taxed at policyholder rates are not offset against deferred tax assets or liabilities taxed at shareholder rates due to restrictions in place in life tax legislation.

In preparing the financial statements, the Company has adopted International Tax Reform—Pillar Two Model Rules (Amendments to FRS 102) which includes amendments effective from 1 January 2023.

**g) 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.

**h) Intangible assets**
**Acquired in-force business**
Insurance and investment contracts with DPF acquired in business combinations and portfolio transfers are measured at acquisition in accordance with the Company's accounting policies for such contracts. The difference between the value of the liability arising from those contracts and the fair value of the contractual rights acquired and obligations assumed is recognised in the financial statements as acquired in-force business. This acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The amortisation charge is recognised within net operating expenses in the Statement of comprehensive income.

At each reporting date, the Company assesses whether there are any indications of impairment. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the asset with the estimate of the recoverable amount. When the recoverable amount is less than the carrying value, an impairment charge is recognised as an expense in the Statement of comprehensive income. Acquired in-force business is also considered in the liability adequacy test for each reporting period.

***Internally generated software assets***
Intangible assets arising from development costs are capitalised when it has been established that the project is technically and financially feasible and the Company has both the intention and the ability to use the completed asset. Internally generated software assets are measured on initial recognition at cost which comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Following initial recognition, the assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost of the internally generated software assets over their estimated useful lives. They are tested for impairment whenever there is evidence of possible impairment.

**i) Investments: Land and buildings**
***Land and buildings***
Land and buildings are initially recognised at cost and subsequently stated at its revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Fair value is determined annually by independent professional valuers, who are members of the Royal Institution of Chartered Surveyors and is based on market evidence. Land and buildings are depreciated over their estimated useful life, which is between 30 and 50 years. No depreciation is recognised where the expected residual value is in line with the current fair value.

An increase in fair value on land and buildings is recognised in other comprehensive income, except to the extent that it is a reversal of a fair value loss previously recognised in the Statement of comprehensive income. Fair value losses are recognised in other comprehensive income to the extent of any previously recognised gains held in the revaluation reserve; amounts exceeding this are recognised in the Statement of comprehensive income.

***Investment property***
Investment property is initially recognised at cost, including any directly attributable transaction costs. Subsequently investment property is measured at fair value. Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. Fair value is determined without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses arising from the change in fair value are recognised as income or an expense in the Statement of comprehensive income.

**j) Investments: Investment in group undertakings and participating interests**
***Investments in group undertakings***
The Company has two categories of investments in group undertakings: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments. Investments in shares in group undertakings are carried at fair value through profit or loss.

The Company has invested in a number of collective investment schemes and other types of investment where judgement is applied in determining whether the Company controls the activities of these entities. These entities are typically structured in such a way that owning the majority of the voting rights is not the conclusive factor in the determination of control.

The Company considers the scope of its decision-making authority, including the existence of substantive rights (such as power of veto, liquidation rights and the right to remove the fund manager) that give it the ability to direct the relevant activities of the investee. The assessment of whether rights are substantive rights, and the circumstances under which the Company has the practical ability to exercise them, requires the exercise of judgement. Where the Company is deemed to control such collective investment schemes they are classified as investment subsidiaries. Where the Company is deemed to exercise significant influence over such investments they are classified as associates. Where the Company has an investment in but not control over these types of entities, the investment is classified either as shares or participations in investment pools in the Statement of financial position.

***Participating interests***
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in, but not to control or jointly control, the financial and operating policy decisions of the investee. Investments in associates that are held for investment purposes are measured at fair value through profit or loss, as permitted by FRS 102. There are no investments in associates which are of a strategic nature.

**k) Financial instruments**
The Company has chosen to account for its financial instruments in accordance with FRS 102.11.2 (c) which applies the recognition and measurement provisions of IFRS 9 *Financial Instruments* (as adopted for use in the UK) with the disclosure requirements of FRS 102.11 and FRS 102.12.

Financial instruments cover a wide range of financial assets and liabilities, including other financial investments, cash at bank and in hand, certain other debtors, deposits received from reinsurers, amounts owed to credit institutions and certain other creditors.

***Recognition & de-recognition***

*Financial assets*

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset.

The Company derecognises a financial asset (or part of a group of similar financial assets) where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities*

Financial liabilities are recognised when due. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

***Classification & measurement***

*Financial assets*

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

Financial assets are measured at amortised cost where they have:

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

Subsequent to initial recognition, these financial assets (which includes non-derivative assets such as cash, debtors and certain loans and deposits) are carried at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equities, variable & fixed rate income securities, certain loans and deposits, derivatives and unit trusts and other pooled investments are measured at FVTPL as they are managed and evaluated on a fair value basis. Net gains and losses, including interest and dividend income, are recognised in the Statement of comprehensive income.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

*Financial liabilities*

At initial recognition, financial liabilities are recognised at the fair value of the consideration received less directly attributable transaction costs (with the exception of liabilities at FVTPL for which all transaction costs are expensed).

Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts without DPF and other liabilities designated at FVTPL) are measured at amortised cost.

Financial liabilities are designated upon initial recognition at FVTPL where doing so results in more meaningful information because either:

- it eliminates or significantly reduces accounting mismatches that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated and managed on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investments is provided internally on that basis to the Group's key management personnel.

***Impairment of financial assets***

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

For those credit exposures for which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the total ECL resulting from default events that are possible within 12 months after the reporting date ("12-month ECL").

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company measures and recognises an allowance at an amount equal to the ECL over the remaining life of the exposure, irrespective of the timing of the default ("Lifetime ECL"). If the financial asset becomes 'credit-impaired' (following significant financial difficulty of issuer/borrower, or a default/breach of a covenant), the Company will recognise a Lifetime ECL. ECLs are derived from unbiased and probability-weighted estimates of expected loss.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs, and subsequent remeasurements of the ECL, are recognised in the Statement of comprehensive income. For other receivables, the ECL rate is recalculated each reporting period with reference to the counterparties of each balance.

***Fair value measurement***
The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques such as broker quotes, 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 flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values. The fair value of receivables and floating rate and overnight deposits with credit institutions is their carrying value. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques.

***Stock lending***
Financial assets that are lent under the Company's stock lending programme do not qualify for derecognition from the Statement of financial position as the Company retains substantially all the risks and rewards of the transferred assets.

***Collateral***
It is the Company's practice to receive and pledge collateral in the form of cash or non-cash assets in respect of stock lending transactions, derivative contracts and reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Company receives collateral depends on an assessment of the credit risk of the counterparty, but is usually in the form of cash or marketable securities.

Collateral received in the form of cash, where the Company has contractual rights to receive the cash flows generated and is available to the Company for investment purposes, is recognised as a financial asset in the Statement of financial position with a corresponding financial liability for its repayment. The collateral repayable is recognised as 'obligations for repayment of collateral received' within 'other creditors including taxation and social security' and is measured at amortised cost, which in the case of cash is equivalent to cost. Non-cash collateral received is not recognised in the Statement of financial position, unless the counterparty defaults on its obligations under the relevant agreement.

Cash and non-cash collateral pledged where the Company retains the contractual rights to receive the cash flows generated is not derecognised from the Statement of financial position, unless the Company defaults on its obligations under the relevant agreement. Where the counterparty has contractual rights to receive the cash flows generated, cash and non-cash collateral pledged is derecognised from the Statement of financial position and a corresponding receivable is recognised for its return.

**l) Reinsurance**
***Reinsurance ceded***
The Company cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Reinsurers' share of insurance contract liabilities are dependent on expected claims and benefits arising under the related reinsured policies.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment charge is recorded as an expense in the Statement of comprehensive income. The reinsurers' share of investment contract liabilities is measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

Reinsurance premiums payable in respect of certain reinsured individual and group annuity contracts are payable in quarterly instalments until the year 2053. Due to the period of time over which reinsurance premiums are payable under these arrangements, the liability for the outstanding reinsurance premiums is measured at fair value through profit and loss using a discounted cash flow model and pre-tax risk-free discount rate and is recognised as ‘deposits received from reinsurers’ in the Statement of financial position. The unwinding of the discount calculated at the original effective date is included as a charge within other charges in the Statement of comprehensive income. The impact of revaluation to a current discount rate is recognised as an item of income or expense within fair value gains or losses.

The Company has also entered into deposit-back reinsurance arrangements whereby the initial premium paid in relation to annuity reinsurance has been deposited back by the external reinsurer with the Company. In such circumstances, non-cash assets forming this reinsurance premium do not meet the relevant derecognition criteria and remain recognised on the Statement of financial position. The Company instead recognises a liability included within deposits received from reinsurers.

Gains or losses on purchasing reinsurance are recognised as income or an expense in the Statement of comprehensive income at the date of purchase and are not amortised. They are the difference between the premiums ceded to reinsurers and the related change in the reinsurers’ share of insurance contract liabilities.

***Reinsurance accepted***
The Company accepts insurance risk under reinsurance contracts. Amounts paid to cedants at the inception of reinsurance contracts in respect of future profits on certain blocks of business are recognised as a reinsurance asset. Changes in the value of the reinsurance assets created from the acceptance of reinsurance are recognised as an expense in the Statement of comprehensive income, consistent with the expected emergence of the economic benefits from the underlying blocks of business.

At each reporting date, the Company assesses whether there are any indications of impairment. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the asset with the estimate of the recoverable amount. When the recoverable amount is less than the carrying value, an impairment charge is recognised as an expense in the Statement of comprehensive income. Reassurance assets are also considered in the liability adequacy test for each reporting period.

**m) Deferred acquisition costs**
For insurance contracts held in non-profit funds, acquisition costs comprise all direct and indirect costs arising from the conclusion of such contracts. Where these are incurred in the current year but expected to be recovered out of future margins, they are deferred as an explicit acquisition cost asset. Costs are not deferred where they relate to with-profits funds. The asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. At the end of each accounting period, deferred acquisition costs for insurance contracts are reviewed for recoverability, by category, against future margins from the related policies in force at the period end.

For investment management contracts, incremental costs that are directly attributable to securing those contracts are deferred and recognised as an asset to the extent they are considered recoverable. Trail or renewal commission on non-participating investment contracts where the Company does not have an unconditional legal right to avoid payment, is deferred at inception of the contract and an offsetting liability for contingent commission is established. The asset is amortised over the life of the contracts as the related revenue is recognised.

Deferred acquisition cost amortisation is expensed within net operating expenses in the Long term business technical account.

**n) Cash at bank and in hand**
Cash at bank and in hand includes cash in hand, deposits, money held at call and short notice with banks and any highly liquid investments with less than three months to maturity from the date of acquisition.

**o) Share capital and capital contributions**
The Company has issued ordinary shares which are classified as equity. Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the Statement of changes in equity. The capital contribution reserve is distributable subject to the availability of distributable reserves.

**p) Classification of contracts**
Contracts are classified as insurance contracts where the Company accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain event adversely affects the policyholder.

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.
Some insurance and investment contracts contain a DPF. This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

Longevity contracts which do not meet the definition of insurance contracts are classified as derivatives and are valued by models on actuarial bases.

Contracts with reinsurers are assessed to determine whether they contain significant insurance risk. Contracts that do not give rise to a significant transfer of insurance risk to the reinsurer are considered financial reinsurance and are accounted for and disclosed in a manner consistent with financial instruments.

**q) Technical provisions**

***Long-term business provision – insurance contracts & investment contracts with DPF***

Insurance contract liabilities for non-participating business, other than unit-linked insurance contracts, are calculated on the basis of current data and assumptions, using gross premium method. Negative policy values are allowed for on individual policies:

- where there are no guaranteed surrender values; or
- in the periods where guaranteed surrender values do not apply even though guaranteed surrender values are applicable after a specified period of time.

For participating business, the liabilities under insurance contracts and investment contracts with DPF are calculated in accordance with the following methodology:

- liabilities to policyholders arising from the with-profits business are stated at the amount of the realistic value of the liabilities, adjusted to exclude the owners' share of projected future bonuses;
- acquisition costs are not deferred; and
- reinsurance recoveries are measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

The realistic liability for any contract is equal to the sum of the with-profits bonus reserve and the cost of future policy-related liabilities. The with-profits bonus reserve for an individual contract is determined by either a retrospective calculation of 'accumulated asset share' approach or by way of a prospective 'bonus reserve valuation' method. In calculating the realistic liabilities, account is taken of the future management actions consistent with those set out in the Principles and Practices of Financial Management ("PPFM").

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profits business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 31.

***Demutualisation***

On 10 July 2006, Standard Life Assurance Company ("SLAC") demutualised. The demutualisation of SLAC was governed by its Scheme of Demutualisation ("the Scheme"). Under the Scheme substantially all of the assets and liabilities of SLAC were transferred to SLAL. SLAL's principal with-profits fund was the Heritage With-Profits Fund ("HWPF"), which was transferred to the Company following the Part VII transfer of SLAL in October 2023.

Under the Scheme the residual estate of the HWPF exists to meet amounts which may be charged to the HWPF under the Scheme. However, to the extent that the Board of the Company is satisfied that there is an excess residual estate, it shall be distributed over time as an enhancement to final bonuses payable on the remaining eligible policies invested in the HWPF. This planned enhancement to the benefits under with-profits contracts held in the HWPF is included in the future policy related liabilities under the realistic basis resulting in a realistic surplus of £nil. Applying the policy noted above, this planned enhancement is therefore included within the measurement of participating contract liabilities. The Scheme provides that certain defined cash flows (recourse cash flows) arising in the HWPF on specified blocks of UK and Irish business, both participating and non-participating, may be transferred out of that fund when they emerge, being transferred to the Company's Shareholder Fund or Proprietary Business Fund ("PBF") and thus accrue to the ultimate benefit of equity holders of Phoenix Group. Under the Scheme such transfers are subject to constraints to protect policyholders. The Scheme also provides for additional expenses to be charged by the PBF to the HWPF in respect of German business.

***Present value of future profits on non-participating business in the with-profits funds***

For UK with-profits funds, an amount may be recognised for the present value of future profits ("PVFP") on non-participating business written in a with-profits fund where the determination of the value of liabilities in that with-profits fund takes account, directly or indirectly, of this value.

Where the PVFP can be shown to be due to policyholders this amount is recognised as a reduction in the liability rather than as an intangible asset, and is then apportioned between the amounts that have been taken into account in the measurement of liabilities and other amounts which are shown as an adjustment to the fund for future appropriations.

The value of PVFP is determined in a manner consistent with the measurement of liabilities. In particular, the methodology and assumptions involve adjustments to reflect risk and uncertainty, which are based on current estimates of future experience and current market yields and allow for market consistent valuation of any guarantees or options within the contracts. The value is also adjusted to remove the value of capital backing the non-profit business if this is included in the realistic calculation of PVFP. The principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 31.

***Technical provisions for linked liabilities***
The technical provisions for linked liabilities include liabilities for unit-linked insurance contracts and unit-linked investment contracts.

Receipts and payments on investment contracts without DPF are accounted for using deposit accounting, under which the amounts collected and paid out are recognised in the Statement of financial position as an adjustment to the liability to the policyholder.

The valuation of liabilities on unit-linked contracts is based on the fair value of the related assets and liabilities. The financial liability is measured based on the carrying value of the assets and liabilities that are held to back the contract. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges where appropriate.

The Company has treaties in place with third party insurance companies to provide reinsurance in respect of liabilities that are linked to the performance of funds maintained by those companies. The contracts in question do not transfer significant insurance risk and therefore are classified as financial instruments and are valued at fair value through profit and loss. These contracts are disclosed under Reinsurers' share of technical provisions in the Statement of financial position.

Investment income attributable to, and the movements in the fair value of, technical provisions for linked liabilities are included in 'Change in technical provision for linked liabilities' as income or an expense in the long term business technical account.

***Embedded derivatives***
Embedded derivatives, including options to surrender insurance contracts, that meet the definition of insurance contracts or are closely related to the host insurance contract, are not separately measured. All other embedded derivatives are separated from the host contract and measured at fair value through profit or loss.

***Liability adequacy***
At each reporting date, liability adequacy tests are performed at an entity level to assess whether the insurance contract and investment contract with DPF liabilities are adequate. Current best estimates of future cash flows (contractual cash flows, related cash flows such as claims handling costs, and cash flows resulting from embedded options and guarantees) are compared to the carrying value of the liabilities. Any deficiency is charged as an expense to the Statement of comprehensive income.

***Fund for future appropriations***
The Fund for Future Appropriations ("FFA") is the unallocated surplus of the with-profits business and comprises the excess of assets over policyholder liabilities that have yet to be apportioned between policyholders and shareholders. The proportion of the excess of assets over policyholder liabilities already attributed to policyholders has been included within technical provisions. The FFA is recorded wholly as a liability with no allocation to equity. The annual excess or shortfall of income over expenditure within the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the FFA each year through a charge or credit to the Statement of comprehensive income.

The with-profits funds are closed to new business and as required by FRS 103, the whole of the FFA has been classified as a separate liability. If the realistic value of liabilities to policyholders exceeds the value of the assets in any with-profits fund, the FFA is valued at £nil.

***Claims outstanding***
Outstanding claims under insurance contracts and investment contracts with DPF are valued using a best estimate method under FRS 103. Outstanding claims under investment contracts without DPF are measured at full settlement value.

***Reinsurers' share of technical provisions***
The reinsurers' share of technical provisions is dependent on the expected claims and benefits arising under the related reinsured insurance contracts. They are measured on a consistent basis to underlying insurance contracts.

**r) 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 as income or an expense in the Statement of comprehensive income over the period of the borrowing using the effective interest method.

Reversion loans and retrocession contracts are designated upon initial recognition at fair value through profit or loss and measured at fair value where doing so provides more meaningful information due to the reasons stated above in the financial liabilities accounting policy. Transaction costs relating to borrowings designated upon initial recognition at fair value through profit or loss are expensed as incurred.

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

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

**t) Leases**
The Company is party to arrangements related to property that are determined to contain a lease. Under FRS 102, the leased property is classified as investment property. The Company recognises the asset and a lease liability at the lease commencement date. Lease liabilities are presented under other creditors and assets are presented within ‘investment property’ in the Statement of financial position.

The property assets are initially measured at the lower of the present value of the minimum lease payments and fair value. Subsequently they are measured at fair value, in accordance with accounting policy (j) above.

Lease payments, net of any lease incentives received, are recognised as an expense in the Statement of comprehensive income on a straight line basis over the lease term.

**u) Foreign currency translation**
Foreign currency transactions are translated into the functional currency of the Company using exchange rates prevailing at the date of translation. Foreign currency assets and liabilities are translated at the closing rate at the period end. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in Statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses. Translation differences on non-monetary items at fair value through profit or loss are reported as part of the fair value gain or loss.

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

## 3. New and amended accounting standards

The second periodic review of FRS 102 was completed in March 2024 and an updated version of the standard was issued in September 2024, with a principal effective date of 1 January 2026. The Periodic Review 2024 changes incorporate a new model of revenue recognition, a new model of lease accounting and various other incremental improvements and clarifications. The impact of such changes on the Company continues to be assessed and is not expected to be material.

## 4. Restatement of prior year balances

The Company identified an error in the calculation of an input to the long-term business provision. As at 1 January 2023 the long-term business provision was overstated by £51m and other debtors (group relief taxation) was overstated by £8m and consequently opening retained earnings were understated by £43m.

Additionally, in previous years, it was determined that the Company’s ERM mortgages did not qualify for de-recognition following securitisation to special purpose vehicles in exchange for fixed rate senior loan notes and variable rate junior loan notes as the risk and rewards of the ERM remained in the Company.

The loan note asset was previously recognised on the Statement of financial position, along with an intercompany payable representing the consideration received. The Company will no longer recognise the loan note asset or intercompany payable as there is only one external cashflow. There is a net £nil impact to profit and loss and net assets as a result of this change.

Impacts to individual line items are shown in the table below:

**Statement of comprehensive income (extract)**

| | Balance prior to restatement 2023 £m | Adjustment 2023 £m | Restated 2023 £m |
|---|---|---|---|
| Investment income | 1,070 | 81 | 1,151 |
| Unrealised gains on investments | 10,240 | (79) | 10,161 |
| Net operating expenses | (904) | (2) | (906) |
| **Total other comprehensive income for the year** | 276 | - | 276 |

**Statement of financial position (extract)**

| | Balance prior to restatement 2023 £m | Adjustment 2023 £m | Restated 2023 £m |
|---|---|---|---|
| Other financial investments | 49,324 | (4,450) | 44,874 |
| Other debtors | 2,150 | 149 | 2,299 |
| **Total assets** | 215,039 | (4,301) | 210,738 |
| Long-term business provision | 76,063 | (51) | 76,012 |
| Other creditors including taxation and social security | 8,934 | (4,293) | 4,641 |
| **Total liabilities** | 212,809 | (4,344) | 208,465 |
| Profit and loss account | 332 | 43 | 375 |
| **Total capital and reserves** | 2,230 | 43 | 2,273 |
| **Total equity and liabilities** | 215,039 | (4,301) | 210,738 |

**5. Transfers of business**

On 3 October 2023, the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 to transfer all of the assets and liabilities of the entities SLAL, PLAL and SLPF to the Company was approved by the Court of Session. The Part VII transfer was conducted with effect from 30 September 2023.

In line with the Company's accounting policy this business combination under common control was accounted under predecessor accounting and the net asset increase was recognised directly in other reserves.

SLAL, PLAL and SLPF retained £4m of net assets required to meet their ongoing Minimum Capital Requirement until de-authorisation. All other assets and liabilities of SLAL, PLAL and SLPF entities were transferred to the Company, except as noted below.

Three policies were unable to be transferred from SLAL and will be transferred at a later date. The Company has accepted reinsurance of the policy liabilities from SLAL. The value of the liabilities at 31 December 2024 was £250k (2023: £250k).

Following deauthorisation, on 14 November 2024 and 9 December 2024 of SLPF and PLAL respectively, the remaining £4m of net assets in each of the two entities were transferred to the Company in accordance with the Scheme for £nil consideration.

The carrying value of assets and liabilities transferred and the losses arising are set out below:

**2024**

| | PLAL £m | SLPF £m | Total £m |
|---|---|---|---|
| **Assets** | | | |
| Other financial investments | 4 | 4 | 8 |
| **Total Assets** | 4 | 4 | 8 |
| **Net assets transferred to the Company** | 4 | 4 | 8 |

**2023**

| | SLAL £m | PLAL £m | SLPF £m | Reinsurance and interfund collapse £m | Total £m |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Land and buildings | 410 | 13 | - | - | 423 |
| Investments in group undertakings and participating interests | 23 | - | - | - | 23 |
| Other financial investments | 33,781 | 9,179 | 7 | - | 42,967 |
| Assets held to cover linked liabilities | 87,881 | 261 | - | - | 88,142 |
| Reinsurers' share of technical provisions - Long-term business provision | 2,089 | 484 | 5 | (106) | 2,472 |
| Reinsurers' share of technical provisions - Technical provisions for unit-linked liabilities | 2,377 | 1,335 | - | (1,335) | 2,377 |
| Debtors arising out of direct insurance operations - Policyholders | 2 | - | - | - | 2 |
| Debtors arising out of reinsurance operations | 1 | - | - | - | 1 |
| Other debtors | 941 | 1,116 | - | (1) | 2,056 |
| Deferred tax asset | 48 | 50 | - | - | 98 |
| Cash at bank and in hand | 122 | 62 | - | - | 184 |
| Deferred acquisition costs | 197 | - | - | - | 197 |
| Other prepayments and accrued income | 35 | 37 | - | - | 72 |
| **Total Assets** | 127,907 | 12,537 | 12 | (1,442) | 139,014 |
| **Liabilities** | | | | | |
| Fund for future appropriations | (309) | (237) | - | - | (546) |
| Technical provisions - Long-term business provision | (31,099) | (8,455) | (5) | 106 | (39,453) |
| Technical provisions - Claims outstanding | (351) | (174) | - | - | (525) |
| Technical provisions for linked liabilities | (90,763) | (1,599) | - | 1,335 | (91,027) |
| Other provisions | (20) | (3) | - | - | (23) |
| Deposits received from reinsurers | (2,092) | - | - | - | (2,092) |
| Creditors arising out of direct insurance operations | (1) | (4) | - | - | (5) |
| Creditors arising out of reinsurance operations | (63) | (15) | - | - | (78) |
| Amounts owed to credit institutions | - | (14) | - | - | (14) |
| Other creditors including taxation and social security | (2,582) | (1,464) | - | 1 | (4,045) |
| Accruals and deferred income | (55) | (8) | - | - | (63) |
| **Total Liabilities** | (127,335) | (11,973) | (5) | 1,442 | (137,871) |
| **Net assets transferred to the Company** | 572 | 564 | 7 | - | 1,143 |

**Transfer of the business to other entities**
On 1 January 2023, the Company completed a Part VII transfer of its Irish, German and Icelandic business to Phoenix Life Assurance Europe Designated Activity Company ("PLAEDAC").

Prior to the Part VII transfer, the sale of this business was agreed at a sale price equal to 108% of the Solvency UK Best Estimate Liabilities, plus a transfer price adjustment based on 8% of the annuity business transferred along with a £10m payment to compensate PLAEDAC for taking on the With-Profits policies. At the Part VII transfer, PLAEDAC received annuity, non-profit, unit linked and with-profits liabilities from the Company. Of these, the unit-linked and with-profits liabilities were simultaneously reinsured back to the Company in a linked transaction. The inward reinsurance occurs after the Part VII transfer.

The transfer and associated reinsurance arrangements were deemed to be a linked transaction and therefore accounted for as a single transaction. The following table represents the assets and liabilities transferred to PLAEDAC net of the linked reinsurance transaction.

**2023**

| | 2023 £m |
|---|---|
| **Assets** | |
| Other financial investments | 302 |
| Reinsurer's share of long term business provision | 1 |
| Other debtors | 2 |
| Cash at bank and in hand | 58 |
| Deferred acquisition costs | 1 |
| **Total assets** | 364 |
| | |
| **Liabilities** | |
| Technical provisions long term business provision | (324) |
| Technical provision claims outstanding | (36) |
| Other creditors including taxation and social security | 28 |
| **Total liabilities** | (332) |
| | |
| **Net assets transferred to PLAEDAC** | 32 |

**6. Premium analysis**

| Gross Premiums Written | 2024 £m | 2023 £m |
|---|---|---|
| Direct | 6,771 | 7,105 |
| Reinsurance Accepted | 566 | 173 |
| | 7,337 | 7,278 |

Direct business is analysed as follows:

| | 2024 £m | 2023 £m |
|---|---|---|
| Individual Business | 1,717 | 1,212 |
| Group Contracts | 5,054 | 5,893 |
| | 6,771 | 7,105 |
| | | |
| Regular Premiums | 676 | 572 |
| Single Premiums | 6,095 | 6,533 |
| | 6,771 | 7,105 |
| | | |
| Participating Contracts | 220 | 70 |
| Non-participating contracts | 6,470 | 6,979 |
| Linked business (excluding investment contracts without DPF) | 81 | 56 |
| | 6,771 | 7,105 |

All business is written in the UK.

**7. Outward reinsurance premiums**

The Company has quota share reinsurance and swap agreements with reinsurers in respect of longevity risk and investment risk associated with pension liabilities acquired via BPA transactions. Premiums ceded under these agreements during the year totalled £1,554m (2023: £1,470m).

| Outward reinsurers comprise: | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| Quota share reinsurance premiums | 1,421 | 1,372 |
| Longevity swap payments | 515 | 496 |
| Reinsurance premiums ceded under on-going reinsurance arrangements | 37 | 27 |
| | 1,973 | 1,895 |

**8. Investment income and expense**

| | Technical account | | Non-technical account | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £m | £m<br>Restated<br>(note 4) | £m | £m |
| Interest income on financial assets at FVTPL | 1,786 | 1,062 | - | - |
| Dividend income | 3,488 | 1,178 | - | - |
| Rental income | 185 | 72 | - | - |
| Income from group undertakings | 10 | 10 | 16 | 24 |
| Realised gains / (losses) on financial assets at FVTPL | 2,412 | (1,171) | - | - |
| Total investment income/(expense) | 7,881 | 1,151 | 16 | 24 |
| *Unrealised gains/(losses) on investments:* | | | | |
| Financial instruments | 4,556 | 10,318 | - | - |
| Land and buildings | 12 | (19) | - | - |
| Investment in subsidiaries | - | (2) | (4) | 1 |
| Investment property | 167 | (128) | - | - |
| FX gains / (losses) | 46 | (8) | - | - |
| Net unrealised gains / (losses) on investments | 4,781 | 10,161 | (4) | 1 |
| Investment expenses and charges | (162) | (146) | (1) | - |
| Total investment return | 12,500 | 11,166 | 11 | 25 |

**9. Other technical income**

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| Fee income from investment contracts without DPF | 613 | 264 |
| Fees and commissions | 1 | 1 |
| Amortisation of deferred income | 4 | 2 |
| Other income | 59 | 33 |
| Total other income | 677 | 300 |

**10. Net operating expenses**

| | 2024 £m | 2023 £m Restated (note 4) |
|---|---|---|
| Acquisition costs incurred | 424 | 211 |
| Acquisition costs deferred | (5) | (1) |
| Amortisation of deferred acquisition costs | 24 | 7 |
| Administration expenses | 26 | 38 |
| Annual management charges payable under reinsurance arrangements | 20 | 10 |
| Other expenses | 650 | 641 |
| Total operating expenses | 1,139 | 906 |

Other expenses includes outsourcing expenses of £729m (2023: £495m), portfolio premium adjustments of (£93m) (2023: £132m), sundry expenses of £4m (2023 £6m) and the amortisation of intangible assets £10m (2023: £10m) detailed in note 16.

**Employee costs**
The Company has no employees. Administrative services are provided by Phoenix Group Management Services Limited, Pearl Group Services Limited ("PGS"), and Pearl Group Management Services (Ireland) Limited ("PGMSI"), fellow group companies.

**11. Other technical charges**

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest expense: | | |
| Financial liabilities at FVTPL | 171 | 47 |
| Total other charges | 171 | 47 |

**12. Directors' remuneration**

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Remuneration | 1,941 | 903 |
| Share option schemes and other long-term benefits | 1,409 | 562 |
| Contributions to money purchase pension schemes | 13 | 3 |
| Total Directors' remuneration | 3,363 | 1,468 |

Directors remuneration comprises executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes.

| | 2024 Number | 2023 Number |
|---|---|---|
| Number of Directors accruing retirement benefits under: | | |
| - a money purchase pension scheme | 2 | 3 |
| Number of Directors who exercised share options during the year | 5 | 2 |

| | 2024 £000 | 2023 £000 |
|---|---|---|
| Highest paid Director's: | | |
| Remuneration | 589 | 216 |
| Share option schemes and other long-term benefits | 604 | 232 |

The highest paid Director exercised share options during the year.

The Executive Directors are employed by either PGMSL or ReAssure UK Services Limited ("RUKSL"). The Non-Executive Directors are not employed but provide their services via a letter of appointment. 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.

## 13. Auditor's remuneration

| | 2024 | 2023 |
|---|---|---|
| | £000 | £000 |
| Audit of the Company's financial statements | 4,935 | 2,053 |

During the financial year ended 31 December 2024, Ernst & Young LLP acted as the Company's external auditor, and on 25 July 2024 they resigned, having reached the maximum term allowed under the Companies Act section 494ZA for a Life Company within the Group. KPMG LLP were appointed by the Directors to fill the vacancy and acted as the Company's external auditor for the year ended 31 December 2024.

Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Phoenix Group Holdings plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

## 14. Tax charge / (credit)

| ***Current Year Tax Charge/(Credit)*** | Technical account | | Non-technical account | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £m | £m | £m | £m |
| Current tax: | | | | |
| UK Corporation tax | 30 | 47 | - | 2 |
| Overseas tax | - | (2) | - | - |
| | 30 | 45 | - | 2 |
| Adjustment in respect of prior years | (19) | - | - | - |
| Total current tax | 11 | 45 | - | 2 |
| Deferred tax: | | | | |
| Origination and reversal of temporary differences | 84 | (25) | - | - |
| Change in the rate of UK corporation tax | - | (12) | - | - |
| Tax losses previously unrecognised | (1) | (5) | - | - |
| Adjustment in respect of prior years | 37 | (7) | - | - |
| Total deferred tax | 120 | (49) | - | - |
| Total tax charge/(credit) | 131 | (4) | - | 2 |
| Attributable to: | | | | |
| - policyholders (long term business) | 105 | (41) | - | - |
| - owners (ordinary activities) | 26 | 37 | - | 2 |
| Total tax charge/(credit) | 131 | (4) | - | 2 |

The Company, as a proxy for policyholders in the UK, is required to pay taxes on investment income and net investment gains each year. Accordingly, the tax benefit or expense attributable to UK life assurance policyholder earnings is included in the income tax expense. The tax charge attributable to policyholder earnings was £105 million (2023: £41 million credit).

The Organization for Economic Co-operation and Development ("OECD") introduced Global Anti-Base Erosion Model Rules ("Pillar Two") to ensure multinational enterprises pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate. During 2023, the UK has enacted tax legislation in respect of Pillar Two and the Company, as a subsidiary of the Group, is within the scope of the rules from 1 January 2024.

***Reconciliation of non-technical account tax charge***

| | 2024 £m | 2023 £m |
|---|---|---|
| Profit for the year before tax | 316 | 315 |
| Tax at standard UK rate of 25% (2023: 23.5%) | 79 | 74 |
| Non-taxable income and gains | (9) | (4) |
| Adjustment to owners' tax in respect of prior years | (25) | (7) |
| Overseas taxes | - | (2) |
| Different basis of taxation for UK life insurance companies | - | 9 |
| Profits taxed at rates other than 25% (2023: 23.5%) | (19) | - |
| Tax losses previously unrecognised | (1) | (5) |
| Deferred tax rate change | - | (12) |
| Other | 1 | (14) |
| Tax charge attributable to owners | 26 | 39 |

**15. Dividends on ordinary shares**

| | 2024 £m | 2023 £m |
|---|---|---|
| Interim dividend for 2024 at 868p per share (2023: 774p) | 600 | 535 |
| | 600 | 535 |

**16. Intangible assets**

| | Internally generated software assets 2024 £m | Acquired in-force business 2024 £m | Total 2024 £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | - | 388 | 388 |
| Additions in the year | 29 | - | 29 |
| At 31 December | 29 | 388 | 417 |
| **Amortisation** | | | |
| At 1 January | - | (310) | (310) |
| Amortisation charge for the year | (1) | (9) | (10) |
| At 31 December | (1) | (319) | (320) |
| **Carrying amount** | | | |
| At 31 December | 28 | 69 | 97 |
| Amount recoverable after 12 Months | 23 | 60 | 83 |

| | Acquired in-force business 2023 £m | Total 2023 £m |
|---|---|---|
| **Cost** | | |
| At 1 January and at 31 December | 388 | 388 |
| **Amortisation** | | |
| At 1 January | (300) | (300) |
| Amortisation charge for the year | (10) | (10) |
| At 31 December | (310) | (310) |
| **Carrying amount** | | |
| At 31 December | 78 | 78 |
| Amount recoverable after 12 months | 69 | 69 |

Acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The remaining estimated life of the contracts is approximately 11 years.

The Company's strategic priorities are to "grow, optimise and enhance" the business through investment. As a result of its investment in new technology and software capability, the Company has met the requirements to capitalise internally generated software costs. During 2024, the Company capitalised £29m (2023: £nil) of development costs and amortised £1m of these costs (2023: £nil).

Amortisation is calculated using the straight-line method to allocate the cost of the internally generated software assets over their estimated useful lives which is estimated to be 6 years.

Amortisation charges are included within net operating expenses (note 10).

**17. Investments: Land and Buildings**

| | 2024 £m | 2023 £m |
|---|---|---|
| Current value | | |
| Freeholds | 639 | 664 |
| Leaseholds with a term of over 50 years | 12 | 27 |
| | 651 | 691 |

| **Investment property** | 2024 £m | 2023 £m |
|---|---|---|
| Balance at 1 January | 683 | 300 |
| Additions (resulting from expenditure capitalised) | 12 | 6 |
| Disposals | (31) | (16) |
| Net loss from fair value adjustments | (21) | (22) |
| Part VII transfer | - | 415 |
| Balance at 31 December | 643 | 683 |
| The fair value of property can be analysed as: | | |
| Commercial investment property | 614 | 641 |
| Residential property reversions | 29 | 42 |

| | 2024 £m | 2023 £m |
|---|---|---|
| Investment property net book value based on historic cost | 265 | 294 |

The property portfolio consists of a mix of commercial sectors, spread geographically throughout the UK.

**Fair value measurement**

The fair value measurement of investment property has been categorised as level 3 based on the inputs to the valuation techniques used.

*Commercial investment property*
The fair value of commercial investment property is based on valuations provided by external property valuation experts having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, having regard to the condition of the property and local market conditions. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors ("RICS") guidelines.

The valuations are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving properties with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving properties with similar characteristics to the property being valued. In both approaches, where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

*Residential property reversions*
The residential property reversions arise from sales of the NPI Extra Income Plan. These interests in customers' properties that the Company will realise upon their death are valued using a discounted cash flow ("DCF") model based on the Company's proportion of the current open market value, discounted for the lifetimes of the policyholders derived from published mortality tables. The open market value is measured using RICS valuations. The individual properties are valued triennially and indexed using regional house price indices to the balance sheet date. The residential property reversions have been substantially refinanced under the arrangements with Santander described in note 33.

The following table shows the valuation techniques used in measuring the fair value of each class of investment property and the significant non-observable inputs used:

| Description | Valuation technique | Significant inputs | Unobservable input value | |
|---|---|---|---|---|
| | | | **2024** | **2023** |
| Commercial investment property | RICS valuation | Expected income per square foot | £17.47 weighted average | £16.99 weighted average |
| | | Capitalisation rate | 6.00% weighted average | 6.17% weighted average |
| Residential property reversions | Internally developed model and RICS valuations | Mortality rate | 130% IFL92C15 (Female)<br>130% IML92C15 (Male) | 111% IFL92C15 (Female)<br>111% IML92C15 (Male) |
| | | House price inflation | 3 year RPI rate plus 0.75% | 3 year RPI rate plus 0.75% |
| | | Discount rate | 3 year swap rate plus 1.7% margin | 3 year swap rate plus 1.7% margin |
| | | Deferred possession rate | 3.7% | 3.7% |

The Company's policy is to let investment properties to tenants through operating leases. Minimum future rentals to be received on non-cancellable operating leases of the Company's freehold and leasehold investment properties are as follows:

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Less than 1 year | 30 | 23 |
| 1 to 5 years | 84 | 86 |
| Over 5 years | 84 | 67 |
| **Total** | 198 | 176 |

| | 2024<br>£m | 2023<br>£m |
|---|---|---|
| Direct operating expenses in respect of: | | |
| Investment properties that did generate rental income in the year | 19 | 22 |
| Investment properties that did not generate rental income in the year | 2 | 4 |
| | 21 | 26 |

| **Land and buildings** | 2024 £m | 2023 £m |
|---|---|---|
| Balance at 1 January | 8 | - |
| Part VII Transfer | - | 8 |
| Balance at 31 December | 8 | 8 |

The revaluation effective date is 31st December 2024. The methods and assumptions used to value land and buildings are the same as those for investment property.

**18. Investments: Investments in group undertakings and participating interests**

| | Cost | | Current Value | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £m | £m | £m | £m |
| Subsidiaries held for strategic purposes | 69 | 70 | 73 | 87 |
| Subsidiaries held for investment purposes | 24,236 | 27,988 | 26,196 | 30,303 |
| Investment in associate | - | 564 | - | 349 |
| **Total** | 24,305 | 28,622 | 26,269 | 30,739 |
| Interest in joint ventures and associate long-term fund | 2,139 | 2,038 | 1,949 | 1,840 |
| Debt securities issued by, and loans to group undertakings and associate long-term fund investments | 133 | 181 | 144 | 184 |
| **Total** | 2,272 | 2,219 | 2,093 | 2,024 |

Refer to note 40 for further information on the related undertakings of the Company.

As at 31 December, an analysis of Open Ended Investment Companies (“OEIC’s”), Unit Trusts, Sociétés d'investissement à Capital Variable (“SICAVs”) and private equity funds is carried out to assess the level of control to determine whether they are investments in subsidiaries, investments in associates or financial assets. Resulting transfers between investment in subsidiaries, investment in associates and financial assets are recognised at the opening value.

The associate of the Company represented UK Commercial Property REIT Limited (“UKCP REIT”), a property investment company which was domiciled in Guernsey and previously admitted to the official list of the UK Listing Authority trading on the London Stock Exchange. As at 31 December 2023, the Company held 43.39% of the issued share capital of UKCP REIT.

On 29 November 2018 the Company entered into four stock lending arrangements, lending equity share holdings in UKCP REIT to strategic wholly owned subsidiaries Phoenix SPV1 Limited, Phoenix SPV2 Limited, Phoenix SPV3 Limited and Phoenix SPV4 Limited (“the SPVs”). Under the arrangements the SPVs agreed to pass on any dividends received to the Company and therefore the Company retained the risks and rewards of its investment in UKCP REIT, and recognised it on the Statement of Financial Position as an investment in associate. The value of the shares lent was equal to the value of the investment in associate shown above.

In February 2024, the UKCP REIT announced it had reached a merger agreement with Tritax Big Box REIT. The transaction received shareholder approval on 2 May 2024 and the holding in UKCP REIT and the arrangements with the SPVs therefore closed.

The fair value for the investment in subsidiaries held for strategic purposes is determined with reference to their Solvency UK net asset value, which is considered to approximate to fair value. This is categorised as a Level 3 fair value. The fair value measurements of the investment in subsidiaries held for investment purposes are classified in accordance with the principles in note 22, and information on the valuation methodology and hierarchy is given in that note.

The loans to group undertakings and associate long-term fund investments represents a series of loans to a subsidiary, Standard Life Assurance (HWPF) Luxembourg S.a.r.l. and its subsidiaries for the purposes of purchasing investment property. There is no specified end date and is categorised as a Level 3 fair value.

**19. Investments: Other financial investments**

| | Cost | | Current value | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m Restated (note 4) | 2024 £m | 2023 £m Restated (note 4) |
| *Fair value through profit and loss* | | | | |
| Equities | 624 | 202 | 502 | 188 |
| Variable rate income securities | 8,752 | 8,355 | 7,870 | 8,078 |
| Fixed rate income securities | 38,666 | 37,005 | 34,471 | 32,845 |
| Derivative assets | 277 | 203 | 2,165 | 2,136 |
| Unit trusts and other pooled investments | 2,505 | 1,612 | 2,544 | 1,620 |
| *Amortised cost* | | | | |
| Loans to policyholders secured by insurance policies | 7 | 7 | 7 | 7 |
| **Total other financial investments** | 50,831 | 47,384 | 47,559 | 44,874 |

| | Carrying Value 2024 £m | Carrying Value 2023 £m |
|---|---|---|
| *Amounts included in the above relating to listed investments:* | | |
| Equities | 447 | 116 |
| Variable rate income securities | 6,833 | 7,221 |
| Fixed rate income securities | 24,579 | 24,123 |
| Total | 31,859 | 31,460 |

**20. Derivatives**

The Company purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The Company does not typically hold derivatives for the purpose of selling or repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The Company also holds derivatives to hedge financial liabilities denominated in foreign currency. No derivative instruments have been designated in a hedging relationship.

The Company pledges and receives collateral in respect of its derivative positions. Further information is provided in note 21.

The Company has in place longevity swap arrangements with corporate pension schemes which do not meet the definition of insurance contracts under the Company's accounting policies. Under these arrangements the majority of the longevity risk has been passed to third parties. The derivative assets and liabilities recognised are shown below. The fair values of derivative financial instruments are:

| | 2024 Assets £m | 2024 Liabilities £m | 2023 Assets £m | 2023 Liabilities £m |
|---|---|---|---|---|
| Forward currency | 9 | 20 | 46 | 6 |
| Interest rate swaps | 1,400 | 2,381 | 1,316 | 2,044 |
| Inflation swaps | 272 | 337 | 169 | 136 |
| Cross currency swaps | 43 | 275 | 98 | 169 |
| Stock index futures | 52 | 4 | 7 | 55 |
| Fixed income futures | 1 | 34 | 2 | 56 |
| Longevity swap contracts | 165 | 63 | 230 | 100 |
| Equity options | 35 | 187 | 106 | 106 |
| SWAP options | 147 | 44 | 162 | 60 |
| Total return bond swaps | 41 | 43 | - | - |
| Other | - | 1 | - | 1 |
| | 2,165 | 3,389 | 2,136 | 2,733 |

**21. Financial assets and liabilities**

| ***Expected settlement dates*** | Total | Amounts recoverable after 12 months | Total | Amounts recoverable after 12 months |
|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2023 |
| | £m | £m | £m | £m |
| | | | Restated (note 4) | Restated (note 4) |
| **Financial assets** | | | | |
| *Financial assets at amortised cost* | | | | |
| Loans and deposits | 151 | 151 | 192 | 192 |
| *Financial assets at fair value through profit or loss* | | | | |
| Equities | 2,583 | 1,786 | 2,304 | 1,625 |
| Variable rate income securities | 7,870 | 7,846 | 8,078 | 7,292 |
| Fixed rate income securities | 34,471 | 33,217 | 32,845 | 32,133 |
| Derivative assets | 2,165 | 2,074 | 2,136 | 2,058 |
| Unit trusts and other pooled investments | 28,605 | 12,997 | 31,646 | 13,376 |
| Assets held to cover linked liabilities | 120,416 | 22,020 | 108,655 | 21,167 |
| Reinsurers' share of investment contracts without DPF | 9,493 | - | 9,811 | - |
| | 205,754 | 80,091 | 195,667 | 77,843 |

| | Total | Amounts due for settlement after 12 months | Total | Amounts due for settlement after 12 months |
|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2023 |
| | £m | £m | £m | £m |
| | | | Restated (note 4) | Restated (note 4) |
| **Financial liabilities** | | | | |
| *Financial liabilities at fair value through profit or loss* | | | | |
| Derivative liabilities | 3,389 | 3,127 | 2,733 | 1,896 |
| Investment contracts without discretionary participation features | 130,490 | - | 119,179 | - |
| Deposits received from reinsurers | 1,998 | 1,706 | 2,383 | 2,006 |
| Assets held to cover linked liabilities | 1 | - | 9 | 7 |
| Amounts owed to credit institutions | 31 | 31 | 45 | 45 |
| | 135,909 | 4,864 | 124,349 | 3,954 |

Due to the nature of equities, Unit trusts and other pooled investment and reinsurers' share of investment contract liabilities, there is no fixed term associated with these items.

| ***ERM loans*** | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| Legal title held by: | | |
| Loan originators | 4,144 | 3,739 |
| Fellow subsidiaries | 651 | 526 |
| | 4,795 | 4,265 |
| Beneficial interest transferred to strategic subsidiaries in the year | 1,166 | 496 |

The Company has a beneficial interest in a portfolio of equity release mortgage ("ERM") loans, included within debt securities. The legal title to certain loans resides with PGMS and PGS, fellow group companies.

On 15th April 2024, the Company transferred the beneficial interest of £203m of ERM loans to PER5L, a wholly owned subsidiary, in return for notes issued by PER5L.

On 16th July 2024, 16th October 2024 and 16th December 2024 the Company transferred the beneficial interest of a further £110m, £91m and £762m of ERM loans to PER5L in return for notes issued by PER5L.

On 4 December 2024, £806m of ERM loans with PER6L, a wholly owned subsidiary, were transferred to the Company and corresponding loan notes redeemed. This was facilitated by both internal and external securitisations.

The ERM loans transferred do not qualify for derecognition as the Company retains substantially all the risks and rewards of the ERM loans.

The Fixed Rate Loan Notes accrue interest based on a fixed schedule of cashflows, and are repayable on specified dates. The Junior Loan Notes pay interest to the extent that surplus funds are available on the specified dates and have a long stop repayment date of the 50th anniversary of the issue of the notes.

The Loan Notes issued in 2020 onwards have an improved credit rating and are more resilient to financial shocks compared to those issued previously. Both the Fixed Rate and Junior Loan notes, as well as the corresponding payable held with each subsidiary are not considered to be an overall direct obligation and are therefore not recognised within the assets and liabilities of the Company (note 4).

***Offsetting financial assets and financial liabilities***

The Company has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2024 (2023: none), with the exception of assets held to cover linked liabilities. Unit linked funds contain both assets and non-technical provision related liabilities and as such the liabilities have been presented with the assets when reporting the total of assets held to cover linked liabilities on the Statement of financial position. Details of the amounts are given in note 30.

The Company's over the counter ("OTC") derivatives are all subject to an International Swaps and Derivative Association master agreement, which is considered a master netting agreement. Such agreements do not meet the criteria for offsetting in the Statement of financial position as the Company has no current legally enforceable right to offset recognised financial instruments.

Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the Statement of financial position as the Company does not have permission to sell or re-pledge, except in the case of default.

***Collateral***
See accounting policies note 2 for a description of the circumstances in which assets are recognised or derecognised from the Statement of Financial Position.

**At 31 December 2024**

| | OTC derivatives £m | Reinsurance £m | Stock lending £m |
|---|---|---|---|
| *Collateral accepted* | | | |
| Not recognised | 376 | 4,957 | 1,261 |
| Recognised assets | 591 | - | - |
| Recognised liabilities | (591) | - | - |
| Maximum exposure to credit risk | 2,101 | 4,733 | 1,135 |
| Risk mitigated by use of collateral | (2,046) | (4,640) | (1,135) |
| Remaining risk | 55 | 93 | - |
| *Collateral pledged* | | | |
| Pledged as collateral | 2,238 | - | - |
| In respect of liabilities of | 3,350 | - | - |

**At 31 December 2023**

| | OTC derivatives £m | Reinsurance (restated) £m | Stock lending £m |
|---|---|---|---|
| *Collateral accepted* | | | |
| Not recognised | 502 | 4,195 | 871 |
| Recognised assets | 677 | - | - |
| Recognised liabilities | (677) | - | - |
| Maximum exposure to credit risk | 2,108 | 4,104 | 1,080 |
| Risk mitigated by use of collateral | (2,072) | (4,104) | (809) |
| Remaining risk | 36 | - | 271 |
| *Collateral pledged* | | | |
| Pledged as collateral | 1,590 | - | - |
| In respect of liabilities of | 2,625 | - | - |

Prior period values for Reinsurance have been restated following identification of an error in the calculation.

Credit risk on exchange traded derivative assets of £39m (2023: £13m) is mitigated through regular margining and the protection offered by the exchange.

***Assets not derecognised***

| | 2024 £m | 2023 £m |
|---|---|---|
| *Stock lending* | | |
| Listed financial assets | 1,135 | 1,080 |

## 22. Fair value

### Determination of fair value and fair value hierarchy of financial instruments

*Level 1 financial instruments*
The fair value of financial instruments traded in active markets (such as exchange 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. Greater depth and narrower bid-ask spread indicates higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes, fair value is by reference to published bid prices.

*Level 2 financial instruments*
The fair values of 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 as Level 2, only where there is a sufficient range of available quotes. The fair value of over the counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investments schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments. 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.

All the Company's Level 1 and Level 2 assets measured at fair value have been valued using standard market pricing sources.

*Level 3 financial instruments*
The Company's financial instruments determined by valuation techniques using non market observable inputs are based on a combination of independent third party evidence and internally developed models. In relation to investments in hedge funds and private equity investments, third party evidence in the form of net asset valuation statements are used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required.

Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a number of investment vehicles and debt securities, standard valuation models are used, with inputs that may not be fully market observable. Where possible and appropriate, inputs into such models are based on market observable data. The fair value of loans and some 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.

*Transfers*
For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the middle and end of each reporting period. Transfers identified are deemed to have taken place at the start of the reporting period.

**Fair value hierarchy of financial instruments**

Fair value hierarchy information for non-financial assets measured at fair value is included in note 17 for investment properties and in note 18 for Investments in group undertakings and participating interests.

| **As 31 December 2024** | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| *Financial assets measured at fair value* | | | | |
| Subsidiaries held for investment purposes (note 18) | 24,445 | 80 | 1,671 | 26,196 |
| Subsidiaries held for strategic purposes (note 18) | - | - | 73 | 73 |
| Derivatives | 52 | 1,948 | 165 | 2,165 |
| Equites | 564 | 2 | 1,029 | 1,595 |
| Variable rate income securities | 5,018 | 1,664 | 1,188 | 7,870 |
| Fixed rate income securities | 19,941 | 4,219 | 10,311 | 34,471 |
| Unit trusts and other pooled investments | 3,077 | - | 319 | 3,396 |
| Assets held to cover linked liabilities | 116,578 | 3,258 | 580 | 120,416 |
| Reinsurers share of investment contracts without discretionary participation features | 9,493 | - | - | 9,493 |
| Total financial assets measured at fair value | 179,168 | 11,171 | 15,336 | 205,675 |
| *Financial assets for which fair values are disclosed* | | | | |
| Loans and deposits at amortised cost | - | 151 | - | 151 |
| Total financial assets | 179,168 | 11,322 | 15,336 | 205,826 |

| | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| *Financial liabilities measured at fair value* | | | | |
| Derivatives | 5 | 3,287 | 97 | 3,389 |
| Assets held to cover linked liabilities | 1 | - | - | 1 |
| Investment contracts without discretionary participation features | - | 130,490 | - | 130,490 |
| Deposits received from reinsurers | - | 1,998 | - | 1,998 |
| Amounts owed to credit institutions | - | - | 31 | 31 |
| Total financial liabilities measured at fair value | 6 | 135,775 | 128 | 135,909 |

| As 31 December 2023 | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | £m | £m<br>Restated<br>(note 4) | £m | £m<br>Restated<br>(note 4) |
| *Financial assets measured at fair value* | | | | |
| Subsidiaries held for investment purposes (note 18) | 29,311 | 85 | 2,747 | 32,143 |
| Subsidiaries held for strategic purposes (note 18) | - | - | 87 | 87 |
| Derivatives | 28 | 1,876 | 232 | 2,136 |
| Equites | 463 | 1 | 72 | 536 |
| Variable rate income securities | 5,497 | 1,597 | 984 | 8,078 |
| Fixed rate income securities | 19,604 | 4.066 | 9,175 | 32,845 |
| Unit trusts and other pooled investments | 1,481 | - | 139 | 1,620 |
| Assets held to cover linked liabilities | 105,994 | 1,950 | 711 | 108,655 |
| Reinsurers share of investment contracts without discretionary participation features | 9,811 | - | - | 9,811 |
| Total financial assets measured at fair value | 172,189 | 9,575 | 14,147 | 195,911 |
| *Financial assets for which fair values are disclosed* | | | | |
| Loans and deposits at amortised cost | - | 192 | - | 192 |
| Total financial assets | 172,189 | 9,767 | 14,147 | 196,103 |

| | Level 1 | Level 2 | Level 3 | Total fair value |
|---|---|---|---|---|
| | £m | £m | £m<br>Restated<br>(note 4) | £m<br>Restated<br>(note 4) |
| *Financial liabilities measured at fair value* | | | | |
| Derivatives | 56 | 2,521 | 156 | 2,733 |
| Assets held to cover linked liabilities | 1 | 8 | - | 9 |
| Investment contracts without discretionary participation | - | 119,179 | - | 119,179 |
| Deposits received from reinsurers | - | 2,383 | - | 2,383 |
| Amounts owed to credit institutions | - | - | 45 | 45 |
| Total financial liabilities measured at fair value | 57 | 124,091 | 201 | 124,349 |

The 2023 fair value hierarchy tables above have been updated to separately present Subsidiaries held for investment purposes from Equities and Unit Trusts and other pooled investments. In addition, the fair value hierarchies of investments in subsidiaries held for strategic purposes and investment in associates have been included. Investment in associates of £349m are all level 1 and now included within equities. Investments in Subsidiaries held for investment purposes of £104m which were earlier classified as Level 2 within Equities, have now been classified as Level 3 on reassessment of fair value hierarchy of the investment. The Senior and Junior loan notes have also been removed from Level 2 fixed income securities following restatement (see note 4).

***Financial instrument valuation methodology***

**Derivative financial assets and liabilities**
OTC derivatives are measured at fair value using a range of valuation models including discounting future cash flows and option valuation techniques. The inputs are observable market data and OTC derivatives are therefore categorised as level 2 in the fair value hierarchy. Exchange traded derivatives are valued using prices sourced from the relevant exchange. They are considered to be instruments quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

A description of longevity swap arrangements, which do not meet the definition of insurance contracts under the Company's accounting policies is given in note 20. Derivatives also include forward private placements, infrastructure and local authority loans which include commitment to provide funding for fixed rate debt at specified future dates. These are all valued using unobservable inputs and are therefore categorised as level 3 in the fair value hierarchy.

**Equities, variable rate income securities, unit trusts and other pooled investments, assets held to cover linked liabilities and reinsurers share of investment contracts without discretionary participation features.**

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

The Company's exposure to unlisted equity securities primarily relates to private equity investments. The majority of the Company's private equity investments are carried out through European fund of funds structures, where the Company receives valuations from the investment managers of the underlying funds.

The valuations received from investment managers of the underlying funds are reviewed and where appropriate adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting financial year. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are categorised as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

Collective investment schemes, subsidiaries held for investment at FVTPL, and reinsurers' share of investment contract liabilities are valued in the same way as equities.

**Debt securities and fixed rate income securities**
For debt securities, the Company has determined a hierarchy of pricing sources. The hierarchy consists of reputable external pricing providers who generally use observable market data. If prices are not available from these providers or are considered to be stale, the Company has established procedures to arrive at an internal assessment of the fair value. These procedures are based largely on inputs that are not based on observable market data. A further analysis by category of debt security is as follows:

*ERM loans and other debt securities*
The ERM loans are valued using a discounted cash flow model and a Black Scholes model for valuation of the No Negative Equity Guarantee ("NNEG"). The NNEG caps the loan repayment in the event of death or entry into long-term care to be no greater than the sales proceeds from the property.

The future cash flows are estimated based on assumed levels of mortality derived from published mortality tables; entry into long term care rates and voluntary redemption rates. Cash flows include an allowance for the expected cost of providing a NNEG assessed under a real world approach using a closed form model including an assumed level of property value volatility. For the NNEG assessment, property values are indexed from the latest property valuation point and then assumed to grow in line with an RPI based assumption thereafter.

Cash flows are discounted using a risk free curve plus a spread, where the spread is based on current customer rates, with margins to allow for the different risk profiles of ERM loans. The key non-market observable input is the voluntary redemption rate, for which the assumption varies by the origin and term of the loan. Experience analysis is used to inform this assumption, however where experience is limited for more recently originated loans, significant expert judgement is required. The relevant key non-market observable input values used in discounting future cash flows are set out in the following table:

| Significant inputs | 2024 | 2023 |
|---:|---:|---:|
| Spread | 159bps over Sonia plus 36bps | 256bps over Sonia plus 36bps |
| House price inflation | +75bps adjustment to RPI | +75bps adjustment to RPI |
| House prices | £385,838 (average) | £371,380 (average restated) |
| Mortality | Average life expectancy of a male and female currently aged 75 is 14.2 years and 15.8 years respectively | Average life expectancy of a male and female currently aged 75 is 14.1 years and 15.6 years respectively |
| Voluntary redemption rate | 190bps to 400bps | 190bps to 650bps |

These instruments are classified as level 3 in the fair value hierarchy.

In order to benefit from the matching adjustment on the regulatory basis, the ERM loans are securitised into tranches of fixed rate senior notes and variable junior loan notes via special purpose vehicles wholly owned by the Company.

These senior and junior loan notes totalling £4,834m (2023: £4,451m), as well as the corresponding payable held with each SPV are not considered to be a direct obligation and are therefore not recognised within the assets and liabilities of the Company. Where ERM loans are securitised, there is an offsetting impact in insurance liabilities for changes in discount rate via the matching adjustment. This results in any net financial impact of change in spread being substantially offset by a corresponding movement in insurance liabilities.

In the long term, all ERM loans will be used to back illiquid liabilities in the Company's matched portfolio. At 31 December 2024, approximately £159m (2023: £223m) were pending securitisation.

*Government, including provincial and municipal, and supranational institution bonds*

These instruments are valued using prices received from external pricing providers who generally base the price on quotes received from a number of market participants. They are treated as level 1 or 2 instruments within the fair value hierarchy depending upon the nature of the underlying pricing information used for valuation purposes

*Corporate bonds (listed or quoted in an established over-the-counter market including asset backed securities)*
These instruments are generally valued using prices received from external pricing providers who generally consolidate quotes received from a panel of banks into a composite price. As the market becomes less active the quotes provided by some banks may be based on modelled prices rather than on actual transactions. These sources are based largely on observable market data, and therefore these instruments are treated as level 2 instruments within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote the instruments are treated as level 3 instruments.

For instruments for which prices are either not available from external pricing providers or the prices provided are considered to be stale, the Company performs its own assessment of the fair value of these instruments. This assessment is largely based on inputs that are not based on observable market data, principally single broker indicative quotes, and accordingly these instruments are treated as level 3 instruments within the fair value hierarchy.

**Investment contract liabilities**
The fair value of the unit-linked liabilities is calculated to be equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities in which these funds are invested. The underlying assets and liabilities are predominately classified as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are classified within level 2 of the fair value hierarchy. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

**Other creditors at FVTPL**
*Property reversion loans*
A description of the property reversion loans can be found in note 33 These instruments are valued using models and due to the level of unobservable inputs are classified as level 3.

**Technical provision**
The Company has not disclosed fair values for investment contracts with a DPF (disclosed within insurance contract liabilities) as fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business. The assumptions and methods used in the calculation of these liabilities, and the carrying values at the year end, are set out in the accounting policies and note 2.

***Significant inputs for Level 2 instruments and instruments measured at amortised cost***

| **Financial instrument** | **Valuation technique** | **Significant inputs** |
|---|---|---|
| *OTC Derivative assets and liabilities* | Pricing models | N/A |
| | | |
| *Financial assets* | | |
| Debt securities | Quoted market prices | N/A |
| Loans and deposits at FVTPL | DCF model[1] | Discount rate |
| Unit trusts and other pooled investments | Quoted market prices | N/A |
| Loans and deposits at amortised cost | DCF model[2] | Discount rate |
| | | |
| *Financial liabilities* | | |
| Investment contract liabilities | DCF model[1] | Discount rate |
| Deposits received from reinsurers | DCF model[1] | Discount rate |
| Borrowings at amortised cost | DCF model[1] | Discount rate |

1. *Discounted cash flow ("DCF") model:* Except where otherwise stated, the discount rate used is based on a risk-free curve and a credit spread. The spread is derived from a basket of comparable securities.

***Significant inputs and input values for Level 3 instruments***

| **Description** | **Valuation technique** | **Significant inputs** | **Key unobservable input value** | |
|---|---|---|---|---|
| | | | **2024** | **2023** |
| *Derivative assets and liabilities* | | | | |
| Forward private placements, infrastructure and local authority loans | DCF model[1] | Credit spread | 98 bps (weighted average) | 111 bps (weighted average) |
| Longevity swaps | DCF model[1] | Swap curve | Swap curve + 10bps | Swap curve + 10bps |
| | | | | |
| *Income securities* | | | | |
| ERM loans | DCF model[1] and Black-Scholes model | Spread | Average 1.6% over SONIA swap curve + 36bps | Average 2.6% over SONIA swap curve + 36bps |
| | | House price inflation | RPI+75bps | RPI+75bps |
| | | House prices | £385,838 (average) | £371,380 (average) |
| | | Mortality | Based on published tables Adjusted PCA00 | Based on published tables Adjusted PCA00 |
| | | Voluntary redemption rate | 1.9% to 4% | 1.9% to 6.5% |
| Other illiquid assets | DCF model[1] | Credit spread | 137bps (weighted average) | 148bps (weighted average) |

| **Description** | **Valuation technique** | **Significant inputs** | **Key unobservable input value** | |
|---|---|---|---|---|
| | | | **2024** | **2023** |
| *Equity* | Single broker [2] and net asset value[3] | Single broker indicative price | N/A | N/A |
| | | | | |
| *Unit trusts and other pooled investments* | Net asset value statements[3] | N/A | N/A | N/A |
| | | | | |
| *Assets held to cover linked liabilities* | Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table. | | | |
| | | | | |
| *Other creditors* | | | | |
| Property reversion loans | Internally developed model | Mortality rate | PFL130 (Female) PML130 (Male) | PFL92 (Female) PML92 (Male) |
| | | House price inflation | 3 year RPI rate plus 0.75% | 3 year RPI rate plus 0.75% |
| | | Discount rate | 3-year swap yield | 3-year swap yield |
| | | Deferred possession rate | 3.7% | 3.7% |

1. *DCF model:* See above in level 2 instruments and instruments measured at amortised cost
2. *Broker indicative prices:* Although such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.
3. *Net asset value statements*: Net asset statements are provided by independent third parties, and therefore no significant non-observable input information has been prepared for those instruments valued on this basis.

### 23. Debtors: Other debtors

| | Note | 2024 £m | 2023 £m Restated (note 4) |
|---|---|---|---|
| Initial margins | | 335 | 398 |
| Collateral pledged | | 1,263 | 936 |
| Current tax recoverable | 25 | 197 | 147 |
| Amounts due from related parties - Group relief taxation | | 152 | 51 |
| Amounts due from related parties - Parent | | 23 | 23 |
| Amounts due from related parties - Subsidiaries | | 234 | 188 |
| Amounts due from related parties - Other group undertakings | | 21 | 92 |
| Investment broker balances | | 76 | 6 |
| Other debtors | | 282 | 458 |
| | | 2,583 | 2,299 |
| Amount recoverable after 12 months | | - | - |

### 24. Other Assets: Cash at bank and in hand

| | 2024 £m | 2023 £m |
|---|---|---|
| Bank and cash balances | 465 | 484 |
| Total cash at bank and in hand | 465 | 484 |

### 25. Tax assets and liabilities

| | 2024 £m | 2023 £m |
|---|---|---|
| **Current Tax** | | |
| Current tax recoverable | 197 | 147 |
| **Net current tax assets** | 197 | 147 |
| **Deferred Tax** | | |
| Deferred tax assets | 29 | 149 |
| **Net deferred tax assets** | 29 | 149 |

**Movement in deferred tax assets and liabilities**
Year ended 31 December 2024

| | At 1 January £m | Recognised in the Statement of comprehensive income £m | At 31 December £m |
|---|---|---|---|
| Trading losses | 115 | 3 | 118 |
| Expenses and deferred acquisition costs carried forward | 235 | (80) | 155 |
| Provisions and other temporary differences | (6) | - | (6) |
| Accelerated capital allowances | 3 | - | 3 |
| Pension scheme surplus | (2) | (1) | (3) |
| Unrealised gains on investments | (178) | (46) | (224) |
| Acquired in-force business | (20) | 3 | (17) |
| Other | 2 | 1 | 3 |
| | 149 | (120) | 29 |

Year ended 31 December 2023

| | At 1 January £m | Recognised in the Statement of comprehensive income £m | Amounts transferred in on Part VII | At 31 December £m |
|---|---|---|---|---|
| Trading losses | 9 | 28 | 78 | 115 |
| Expenses and deferred acquisition costs carried forward | 73 | 76 | 86 | 235 |
| Provisions and other temporary differences | (6) | - | - | (6) |
| Accelerated capital allowances | 1 | - | 2 | 3 |
| Pension scheme surplus | (2) | - | - | (2) |
| Unrealised gains on investments | (50) | (55) | (73) | (178) |
| Acquired in-force business | (22) | 2 | - | (20) |
| Transitional adjustment on change of reporting basis | - | - | 2 | 2 |
| Other | 2 | (2) | - | - |
| | 5 | 49 | 95 | 149 |

There are no deferred tax assets or liabilities held in respect of the non-technical account as at 31 December 2024.

Based on the company's tax projection model it is anticipated that the net deferred tax asset held at 31 December 2024 will fall by £6m (2023: £7m) within the next twelve months.

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

Shareholder deferred tax assets and liabilities, where provided, are reflected at 25%. Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

**Deferred tax recognition**

Deferred tax assets and liabilities are netted off to the extent that legal offset is available under local tax law. Deferred tax assets are recognised on tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against anticipated taxable profits and gains based on business plans.

The company's policy is to recognise deferred tax assets over a 15 year timeframe and accordingly the deferred tax asset relating to the excess BLAGAB management expenses has been recognised in full.

**EU Dividend Group Litigation Order**

The Company in conjunction with a number of other companies has challenged HMRC's position on the corporation tax treatment of portfolio dividends from companies resident in the EU ("EU dividends") using a Group Litigation Order ("GLO").

The issue relates to whether the UK tax rules, which taxed EU dividends received prior to 1st July 2009 was contrary to EU law given that dividends received from UK companies were exempt from tax. In 2009 UK tax law was changed with both overseas and UK dividends generally being treated as exempt from corporation tax.

The Supreme Court concluded in favour of the tax payer in July 2018 and the Company recognised a tax benefit of £7m at 31 December 2018 in relation to enhanced double tax relief claims which the Company is entitled to in accordance with the Court judgement. A further benefit of £7m was also recognised in PLAL in respect of claims relating to PLAL funds which have subsequently transferred to the Company. The tax refund is for the benefit of the Phoenix, SAL, Pearl and London Life with-profits funds (£12m), with the remainder relating to the non-profit unit linked life funds (£2m). In the case of the with-profits funds there was an increase in FFA and for the unit linked life funds there is a corresponding increase in investment contract liabilities as a result of the recognition of the tax asset.

SLAL was a late joiner to the GLO in December 2012 and has made statutory protective tax claims totalling c£5m for the benefit of policyholders based on the Supreme Court decision. HMRC has challenged the validity of such claims and is currently considering further tax litigation in this area against other third parties. Due to the uncertainty around the potential success of the claims a tax asset has not been recognised in respect of these claims. Any benefit arising from these claims was transferred to the Company as part of the Part VII transfer in 2023 under the Financial Service & Markets Act 2000.

HMRC are currently unable to offer a specific date by which they will be able to deal with the various claims outstanding. Abbey Life Assurance Company Limited is one of the entities that is not a member of the GLO but has made statutory protective tax claims totalling c£8m for the benefit of unit linked life funds based on the Supreme Court decision, and these were transferred to the Company in 2018. HMRC has challenged the validity of such claims and is currently considering further tax litigation in this area against other third parties. Due to the uncertainty around the potential success of the claims a tax asset has not been recognised in respect of these claims.

Settlement of this issue is subject to ongoing litigation with most recently, the Court of Appeal ruling in favour of HMRC in February 2025. An application requesting permission to appeal to the Supreme Court has been lodged in March 2025 and we are currently awaiting a decision on this.

**26. Prepayments and accrued income: Deferred acquisition costs**

| | 2024 £m | 2023 £m |
|---|---|---|
| At 1 January | 233 | 40 |
| Additions | 6 | 3 |
| Amortisation charge | (24) | (7) |
| Part VII transfer in | - | 197 |
| Foreign exchange adjustment | (4) | - |
| At 31 December | 211 | 233 |
| Amount recoverable after 12 months | 201 | 210 |
| Related to contracts with customers: deferred acquisition costs on non participating investment contracts | 69 | 79 |

A DAC Impairment is required when carrying value is in excess of its recoverable value. For each product cohort, the net DAC asset is compared against the equivalent present value of in-force business (PVIF).

**27. Prepayments and accrued income: Other prepayments and accrued income**

| | 2024 £m | 2023 £m |
|---|---|---|
| Prepayments | 124 | 135 |
| Accrued income | 39 | 46 |
| | 163 | 181 |
| Amount recoverable after 12 months | 64 | 70 |

Included within prepayments at 31 December 2024 is £70m (2023: £76m) of consideration relating to the transfer of various risks to PGMS and PGS. This consideration is amortised over the expected life of the contracts.

**28. Capital and reserves: Called up share capital**

| | 2024 £m | 2024 Number | 2023 £m | 2023 Number |
|---|---|---|---|---|
| Issued and fully paid: | | | | |
| Ordinary shares of £1 each | 69 | 69,087,572 | 69 | 69,087,572 |

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

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

**29. Capital and Reserves: Other Reserves**

| | Capital contribution reserve £m | Restructuring Reserve £m | Other reserves total £m |
|---|---|---|---|
| At 1 January 2024 | 717 | 1,111 | 1,828 |
| Capital contribution received | 189 | - | 189 |
| Capital contribution repayment | (419) | - | (419) |
| Part VII transfer in | - | 8 | 8 |
| Dividends paid on ordinary shares | - | (600) | (600) |
| At 31 December 2024 | 487 | 519 | 1,006 |
| | | | |
| At 1 January 2023 | 1,317 | - | 1,317 |
| Capital contribution received | 250 | - | 250 |
| Capital contribution repayment | (850) | - | (850) |
| Part VII transfer in | - | 1,143 | 1,143 |
| Part VII transfer out | - | (32) | (32) |
| At 31 December 2023 | 717 | 1,111 | 1,828 |

***Capital contribution reserve***
The capital contributions received have been treated as capital as there is no agreement for repayment. The reserve is considered distributable, subject to the availability of distributable reserves.

***Restructuring reserve***
On 31 December 2011, the long-term business of Standard Life Investment Funds Limited, a wholly owned subsidiary of SLAL, was transferred to SLAL, under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000. Following the transfer, £146m was transferred to the restructuring reserve being the difference between the net assets transferred and the value of the investment in subsidiary. Following merger accounting principles this reserve was created to reflect this balance in equity. A further movement in the restructuring reserve of £8m occurred in 2019 representing the difference between the net assets transferred to SLIDAC following a Part VII transfer and the related loan consideration from Phoenix Group Holdings plc.

On 30 September 2023, this balance of £(154)m and the other reserve balances of SLAL £726m, SLPF £7m and PLAL £564m were transferred to the Company following the Part VII transfer.

On 1 January 2023, the Company transferred £(32)m to PLAEDAC as part of the Part VII transfer of its Irish, German and Icelandic business.

**30. Assets held to cover linked liabilities**

| | Cost | | Carrying value | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | £m | £m | £m | £m |
| Assets held to cover linked liabilities | 108,628 | 103,319 | 124,122 | 112,456 |

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| Assets held to cover linked liabilities: | | |
| Financial assets | 121,759 | 109,812 |
| Financial liabilities | (272) | (569) |
| Non-financial items | 2,635 | 3,213 |
| | 124,122 | 112,456 |

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| **Financial Assets** | | |
| *Financial assets at amortised cost* | | |
| Cash and cash equivalents | 1,116 | 690 |
| Other debtors | 227 | 467 |
| *Financial assets at fair value through profit and loss* | | |
| Equities | 2,371 | 2,087 |
| Variable rate income securities | 130 | 382 |
| Fixed rate income securities | 2,843 | 2,943 |
| Derivative assets | 1 | 6 |
| Unit trusts and other pooled investments | 115,071 | 103,237 |
| | 121,759 | 109,812 |
| **Financial Liabilities** | | |
| *Financial liabilities at amortised cost* | | |
| Other creditors | (261) | (502) |
| Obligations under finance leases | (8) | (15) |
| Amounts owed to related parties | (2) | (43) |
| *Financial liabilities at fair value through profit and loss* | | |
| Derivative liabilities | (1) | (4) |
| Other creditors | - | (5) |
| | (272) | (569) |
| **Non-financial items** | | |
| Investment Property | 2,635 | 3,213 |
| | 2,635 | 3,213 |

The £124,122m (2023: £112,456m) of assets held to cover linked liabilities are held to cover net liabilities of £135,076m (2023: £123,531m). As permitted under Solvency II, when unit matching in line with the guidance in Article 132 of the SII Directive (covering the Prudent Person principle), assets are not held to cover certain future liabilities to allow for projected surrender values resulting in net liabilities being greater than the related assets held.

**31. Technical provisions**

| | Long-term business provision | Linked liabilities | Reinsurers share: Long term business provisions | Reinsurers share: linked liabilities |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| At 31 December 2024 | | | | |
| Insurance contracts | 54,398 | 2,278 | 6,592 | 162 |
| Investment contracts with DPF | 18,462 | 4,530 | 3 | 89 |
| Investment contracts without DPF | 2,288 | 128,268 | - | 9,493 |
| | 75,148 | 135,076 | 6,595 | 9,744 |
| At 31 December 2023 | | | | |
| Insurance contracts | 53,726 | 2,250 | 6,322 | 38 |
| Investment contracts with DPF | 19,789 | 4,599 | 3 | 90 |
| Investment contracts without DPF | 2,497 | 116,682 | - | 9,811 |
| | 76,012 | 123,531 | 6,325 | 9,939 |

**Movements in liabilities**

| | Long-term business provision | Linked liabilities | Reinsurers share: Long term business provisions | Reinsurers share: linked liabilities |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| At 1 January 2024 | 76,012 | 123,531 | 6,325 | 9,939 |
| Premiums / deposits | 7,660 | 12,322 | 1,971 | 639 |
| Claims / withdrawals | (8,881) | (11,706) | (1,716) | (1,495) |
| Other changes in liabilities | 908 | 10,957 | 15 | 634 |
| Foreign exchange adjustments | (551) | (28) | - | 27 |
| At 31 December 2024 | 75,148 | 135,076 | 6,595 | 9,744 |
| At 1 January 2023 | 28,895 | 25,035 | 2,729 | 6,572 |
| Premiums / deposits | 7,304 | 4,869 | 1,930 | 590 |
| Claims / withdrawals | (4,057) | (3,860) | (1,255) | (509) |
| Other changes in liabilities | 4,735 | 6,460 | 450 | 909 |
| Foreign exchange adjustments | 6 | - | - | - |
| Part VII transfer | 39,129 | 91,027 | 2,471 | 2,377 |
| At 31 December 2023 | 76,012 | 123,531 | 6,325 | 9,939 |

Included in other changes in liabilities are changes in assumptions and economic and non-economic experience.

***Assumptions***

*Valuation of participating insurance and investment contracts*

For participating business, which is with-profits business (insurance and investment contracts), the insurance contract liability is stated at the amount of the realistic value of the liabilities, adjusted to exclude the owners' share of future bonuses and the associated tax liability. This is a market consistent valuation, which involves placing a value on liabilities similar to the market value of assets with similar cash flow patterns.

For participating business the liabilities are determined stochastically using an appropriate number of risk neutral scenarios produced by an economic scenario generator calibrated to market conditions and swap yields as at the valuation date.

*Valuation of non-participating insurance contracts*

The non-participating insurance contract liabilities are determined using a gross premium valuation method.

*Process used to determine assumptions*
The approach to the valuation of insurance contracts in the financial statements is as follows:

- In determining the discount rate to be applied when calculating participating and non-participating insurance contract liabilities, the Company uses a risk free rate. A spread is applied to certain business.

- In determining the discount rate to be applied when calculating non-participating insurance contract liabilities, the Company uses a risk free rate.

- For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit margin for demographic risks.

*Changes to assumptions*
Due to changes in economic and non-economic factors, certain assumptions used in estimating insurance and investment contract liabilities have been revised. Therefore, the change in liabilities reflects actual performance over the year, changes in assumptions and, to a limited extent, improvements in modelling techniques. The impact of material changes during the year were as follows:

| | Increase/ (decrease) in insurance liabilities 2024 £m | Increase/ (decrease) in insurance liabilities 2023 £m |
|---|---|---|
| Change in longevity assumptions | (26) | (166) |
| Change in expenses assumptions | (127) | 31 |
| Change in mortality assumptions | (12) | 89 |
| Change in persistency assumptions | (3) | 7 |
| Change in other assumptions | (39) | (41) |

*Longevity and mortality assumptions*
Longevity and mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, demographic differences between annuitants and the general population, company experience and forecast changes in future mortality.

In 2023, longevity assumptions were adjusted to account for higher mortality rates post-pandemic - this adjustment was partially offset by strengthening mortality assumptions. In 2024, longevity assumptions were revised as mortality rates remained elevated compared to pre-pandemic levels. Additionally, mortality assumptions were updated by incorporating five years of experience data (to be consistent with longevity methodology) and removing the allowance for short-term elevated post-pandemic mortality.

*Expense assumptions*
Expenses are assumed to increase at the rate of increase in the Retail Price Index (“RPI”) or Retail Price Index excluding mortgage payments plus typical fixed margins in accordance with the various Management Service Agreements (“MSAs”) the Company has in place with outsourced service providers. For with-profits business the rate of RPI inflation is determined within each stochastic scenario. For other business it is based on the Bank of England inflation spot curve. For MSAs with contractual increases set by reference to national average earnings inflation, this is approximated as RPI inflation or RPI inflation plus 1%.

Updates to expense assumptions led to an overall decrease in reserves at Life Company level, principally driven by changes to investment strategy that have led to lower fees being payable to external asset managers and reductions in future assumed management expenses as a result of group-wide cost reduction initiatives.

*Persistency assumptions*
The assumed rates for surrender and voluntary premium discontinuance depend primarily on the length of time a policy has been in force. Withdrawal rates are based on observed experience and adjusted when it is considered that future policyholder behaviour will be influenced by different considerations than in the past. In particular, it is assumed that withdrawal rates for unitised with-profits contracts will be higher on policy anniversaries on which Market Value Adjustments do not apply.

***Sensitivities***
Financial and insurance risk sensitivities are set out in note 37.

***Policyholder options and guarantees***
Some of the Company’s products give potentially valuable guarantees, or give options to change policy benefits which can be exercised at the policyholders’ discretion. These products are described below.

Most with-profits contracts give a guaranteed minimum payment on a specified date or range of dates or on death if before that date or dates. For pension contracts, the specified date is the policyholder's chosen retirement date or a range of dates around that date. For endowment contracts, it is the maturity date of the contract. For with-profits bonds it is often a specified anniversary of commencement, in some cases with further dates thereafter. Annual bonuses when added to with-profits contracts usually increase the guaranteed amount. There are guaranteed surrender values on a small number of older contracts.

Some pension contracts include guaranteed annuity options (see deferred annuities below for details). The total amount provided in the with-profits funds and non-profit funds in respect of the future costs of guaranteed annuity options are £558m (2023: £776m) and £nil (2023: £48m) respectively.

*Discretionary participating bonus rate*
The regular bonus rates assumed in each scenario are determined in accordance with the Company's PPFM. Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM. With-profits deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

In common with other life companies in the UK which have written pension transfer and opt-out business, the Company has set up provisions for redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases, are included in liabilities arising under insurance contracts. The total amount provided in the with-profits and non-profit funds in respect of redress relating to pension policies, including associated costs, are £122m (2023: £144m) and £2m (2023: £3m) respectively.

***Managing product risk***
The following sections give an assessment of the risks associated with the Company's main life assurance products and the ways in which the Company manages those risks. The following tables provide a product analysis of the liabilities under insurance contracts, apportioned between 'technical liabilities' and 'linked liabilities' and 'reinsurers' share of insurance contract liabilities' within the Statement of financial position.

| **2024** | Technical Liabilities | | | Linked Liabilities | | |
|---|---|---|---|---|---|---|
| | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m |
| ***With-profits funds*** | | | | | | |
| *Pensions* | | | | | | |
| Deferred annuities | 3,153 | 6 | 2 | - | - | - |
| Immediate annuities | 198 | 141 | - | - | - | - |
| Unitised with-profits | 7,186 | 17,367 | 2,133 | - | - | - |
| Total pensions | 10,537 | 17,514 | 2,135 | - | - | - |
| *Life* | | | | | | |
| Unitised with-profits | 4,778 | 898 | 54 | - | - | - |
| Life with-profits | 1,090 | 42 | - | - | - | - |
| Total life | 5,868 | 940 | 54 | - | - | - |
| Other | 5,665 | (2) | (33) | 136 | 89 | 356 |
| ***Non-profit funds*** | | | | | | |
| Deferred annuities | 7,131 | - | 18 | - | - | - |
| Immediate annuities | 24,839 | - | 22 | - | - | - |
| Protection | 323 | - | 3 | - | - | - |
| Unit-linked | 13 | - | 82 | 2,142 | 4,441 | 127,912 |
| Other | 22 | 10 | 7 | - | - | - |
| Total | 54,398 | 18,462 | 2,288 | 2,278 | 4,530 | 128,268 |

| **2023** | Technical Liabilities | | | Linked Liabilities | | |
|---|---|---|---|---|---|---|
| | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m |
| ***With-profits funds*** | | | | | | |
| *Pensions* | | | | | | |
| Deferred annuities | 3,743 | 14 | - | - | - | - |
| Immediate annuities | 57 | 124 | - | - | - | - |
| Unitised with-profits | 7,310 | 18,625 | 2,349 | - | - | - |
| Total pensions | 11,110 | 18,763 | 2,349 | - | - | - |
| *Life* | | | | | | |
| Unitised with-profits | 4,899 | 958 | 60 | - | - | - |
| Life with-profits | 1,194 | 50 | - | - | - | - |
| Total life | 6,093 | 1,008 | 60 | - | - | - |
| Other | 6,588 | 16 | (12) | 13 | 90 | 496 |
| ***Non-profit funds*** | | | | | | |
| Deferred annuities | 5,649 | - | 24 | - | - | - |
| Immediate annuities | 23,590 | - | 5 | - | - | - |
| Protection | 478 | - | 3 | - | - | - |
| Unit-linked | 161 | 4 | 78 | 2,237 | 4,509 | 116,186 |
| Other | 57 | (2) | (10) | - | - | - |
| Total | 53,726 | 19,789 | 2,497 | 2,250 | 4,599 | 116,682 |

| **2024** | Reinsurance | | |
|---|---|---|---|
| | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m |
| ***With-profits funds*** | | | |
| *Pensions* | | | |
| Deferred annuities | 1 | - | - |
| Unitised with-profits | - | 3 | - |
| Total pensions | 1 | 3 | - |
| *Life* | | | |
| Life with-profits | 1 | - | - |
| Total life | 1 | - | - |
| Other | 2,954 | 89 | 357 |
| ***Non-profit funds*** | | | |
| Deferred annuities -without guarantees | 1,031 | - | - |
| Immediate annuities | 2,675 | - | - |
| Protection | 66 | - | 1 |
| Unit-linked | 26 | - | 9,135 |
| Total | 6,754 | 92 | 9,493 |

| **2023** | Reinsurance | | |
|---|---|---|---|
| | Insurance contracts £m | Investment contracts with DPF £m | Investment contracts without DPF £m |
| ***With-profits funds*** | | | |
| *Pensions* | | | |
| Deferred annuities | 1 | - | - |
| Unitised with-profits | - | 3 | - |
| Total pensions | 1 | 3 | - |
| *Life* | | | |
| Life with-profits | 1 | - | - |
| Total life | 1 | - | - |
| Other | 3,245 | 90 | 498 |
| ***Non-profit funds*** | | | |
| Deferred annuities | 651 | - | - |
| Immediate annuities | 2,359 | - | - |
| Protection | 77 | - | 1 |
| Unit-linked | 26 | - | 9,312 |
| Total | 6,360 | 93 | 9,811 |

*With-profits fund (Unitised and Traditional)*
The Company operates a number of with-profits funds in which the with-profits policyholders benefit from a discretionary annual bonus (guaranteed once added in most cases) and a discretionary final bonus. Non-profit business is also written in some of the with-profits funds and some of the funds may include investment contracts, immediate annuities and deferred annuities with Guaranteed Annuity Rates ("GAR").

The investment strategy of each fund differs, but is broadly to invest in a mixture of debt securities, equities, property and other asset classes in such proportions as is appropriate to the investment risk exposure of the fund and its capital resources.

The Company has significant discretion regarding investment policy, bonus policy and early termination values. The process for exercising discretion in the management of the with-profits funds is set out in the PPFM for each with-profits fund and is overseen by With-Profits Committees. Advice is also taken from the with-profits actuary of each with-profits fund. Compliance with the PPFM is reviewed annually and reported to the PRA and policyholders.

The bonuses are designed to distribute to policyholders a fair share of the return on the assets in the with-profits funds together with other elements of the experience of the fund. The owners of the Company are entitled to receive approximately one-ninth of the cost of bonuses declared for some funds and £nil for others.

Unitised and traditional with-profits policies are exposed to equivalent risks, the main difference being that unitised with-profits policies purchase notional units in a with-profits fund whereas traditional with-profits policies do not. Benefit payments for unitised policies are then dependent on unit prices at the time of a claim, although charges may be applied. A unitised with-profits fund price is typically guaranteed not to fall and increases in line with any discretionary bonus payments over the course of one year.

*Deferred annuities*
Deferred annuity policies are written to provide either a cash benefit at retirement, which the policyholder can use to buy an annuity on the terms then applicable, or an annuity payable from retirement. The policies contain an element of guarantee expressed in the form that the contract is written in i.e. to provide cash or an annuity. Deferred annuity policies written to provide a cash benefit may also contain an option to convert the cash benefit to an annuity benefit on guaranteed terms; these are known as GAR policies. Deferred annuity policies written to provide an annuity benefit may also contain an option to convert the annuity benefit into cash benefits on guaranteed terms; these are known as Guaranteed Cash Option ("GCO") policies.

The option provisions on GAR policies are particularly sensitive to downward movements in interest rates, increasing life expectancy and the proportion of customers exercising their option. Adverse movements in these factors could lead to a requirement to increase reserves which could adversely impact profit and potentially require additional capital. In order to address the interest rate risk (but not the risk of increasing life expectancy or changing customer behaviour with regard to exercise of the option), the Company has purchased derivatives that provide protection against an increase in liabilities and have thus reduced the sensitivity of profit to movements in interest rates.

The Company seeks to manage this risk in accordance with both the terms of the issued policies and the interests of customers, and has obtained external advice supporting the manner in which it operates the long-term funds in this respect.

*Immediate annuities*
This type of annuity is purchased with a single premium at the outset, and is paid to the policyholder for the remainder of their lifetime. Payments may also continue for the benefit of a surviving spouse or partner after the annuitant's death. Annuities may be level, or escalate at a fixed rate, or may escalate in line with a price index and may be payable for a minimum period irrespective of whether the policyholder remains alive.

The main risks associated with this product are longevity and investment risks. Longevity risk arises where the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa) although the extent to which this occurs will depend on the similarity of the demographic profile of each book of business. In addition, the Company has in place longevity swaps that provide downside protection over longevity risk. £20,702m (2023: £17,945m) of net insurance contract liabilities are covered by longevity swap arrangements.

The pricing assumption for mortality risk is based on both historic internal information and externally generated information on mortality experience, including allowances for future mortality improvements. Pricing will also include a contingency margin for adverse deviations in assumptions.

Investment risk, which is made up of market and credit risk, depends on the extent to which the annuity payments under the contracts have been matched by suitable assets which is managed under the ALM framework. Asset/liability modelling is used to monitor this position on a regular basis.

*Protection*
These contracts are typically secured by the payment of a regular premium payable for a period of years providing benefits payable on certain events occurring within the period. The benefits may be a single lump sum or a series of payments and may be payable on death, serious illness or sickness.

The main risk associated with this product is the claims experience and this risk is managed through the initial pricing of the policy (based on actuarial principles), the use of reinsurance and a clear process for administering claims.

**32. Provisions for other risks: Other provisions**

| | Strategic review of outsourcing relationships £m | Complaints and Litigation costs £m | Known incidents £m | Other £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2024 | 15 | 1 | 10 | 8 | 34 |
| Additional provisions | 7 | - | 2 | 11 | 20 |
| Unused amounts released | - | - | (1) | (3) | (4) |
| Used during the year | (11) | (1) | (2) | (4) | (18) |
| Total at 31 December 2024 | 11 | - | 9 | 12 | 32 |
| Amount due for settlement after 12 months | - | - | - | 2 | 2 |

**Provision for strategic review of outsourcing relationships**
On 29 November 2018, Phoenix Group announced the intention to move to a single, digitally enhanced outsourcer platform which will improve customer outcomes, supported by Diligenta Limited. A provision was recognised in 2018 for the Company's share of the expected cost of the platform migration, payable to PGMS as policies are successfully transferred. During the year no policies were transferred as a part of this migration. In 2023, there were 495,000 policies transferred across 4 policy systems to Diligenta.

'Known incidents' relates to historical data quality, administration systems problems and process deficiencies on the policy administration and operational finance systems. The balance represents the best estimate of costs payable to customers.

'Other' provisions relates mainly to the risk of crystallisation of German Real Estate Transfer Tax from the Part VII transfer of the SLAL business and a policyholder tax compliance provision.

**33. Amounts owed to credit institutions**

| | 2024 £m | 2023 £m |
|---|---|---|
| *Financial liabilities at fair value through profit or loss* | | |
| Property reversion loan | 31 | 45 |
| | 31 | 45 |
| Amount due for settlement after 12 months | 31 | 45 |

As part of a loan agreement with Santander UK plc ("Santander") relating to the sale of Extra-Income Plan policies, Santander receive an amount from the Company calculated by reference to the movement of the Halifax House Price Index and the Company has undertaken to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next 10 to 20 years. The embedded derivative feature of the contract is unable to be separately measured from the host contract. As such the borrowing is designated as a liability at fair value through profit or loss. During the year, repayments totalling £16m (2023: £17m) were made. It is expected that further repayments will occur within 12 months, broadly in line with the reduction in associated property reversions (note 17), although the value cannot be reliably estimated.

**34. Creditors: Other creditors including taxation and social security**

| | 2024 £m | 2023 £m Restated (note 4) |
|---|---|---|
| Obligations for repayment of collateral received | 646 | 705 |
| Derivative liabilities | 3,389 | 2,733 |
| Amounts due to related parties – Subsidiaries | 48 | 35 |
| Amounts due to related parties – Other group undertakings | 156 | 199 |
| Bank overdrafts | - | 16 |
| Investment sundry creditors | 580 | 638 |
| Other creditors | 206 | 315 |
| | 5,025 | 4,641 |
| Amount due for settlement after 12 months | 3,127 | 1,896 |

**35. Accruals and deferred income**

| | 2024 £m | 2023 £m |
|---|---|---|
| Accruals | 94 | 77 |
| Deferred income reserve | 28 | 28 |
| | 122 | 105 |
| Amount due for settlement after 12 months | 19 | 23 |

**36. Capital Management**

**Capital Management Framework**
The Company's Capital Management Framework is designed to achieve the following objectives:

- provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary excess capital;
- ensure sufficient liquidity to meet obligations to policyholders and other creditors; and
- meet the dividend expectations of owners.

The Company has met all of these objectives throughout the financial year. The framework comprises a suite of capital management policies that govern the allocation of capital throughout the Company to achieve the framework objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, owner dividend policy and regulatory capital requirements.

The capital requirements of the Company are forecast on a periodic basis, and the requirements are assessed against the forecast available capital resources. In addition, internal rates of return achieved on capital invested are assessed against hurdle rates, which are intended to represent the minimum acceptable return given the risks associated with each investment. Capital plans are ultimately subject to approval by the Board.

Extractions of capital are required to be in line with the dividend policy approved by the Board. The dividend policy covers quantity of capital, quality of capital, and the amount of distributable reserves.

**Solvency II ("SII") external capital requirement**
Following the implementation of the SII directive effective from 1 January 2016, the Company's capital is managed on a SII basis.

A SII capital assessment involves valuation in line with SII principles of the Company's Own Funds and a risk-based assessment of the Company's Solvency Capital Requirement ("SCR"). The Company is required to meet the SCR at each quarterly valuation date. SII surplus is the excess of Eligible Own Funds over the SCR.

Basic Own Funds represent the excess of assets over liabilities from the SII balance sheet adjusted to add back any relevant subordinated liabilities that meet the criteria to be treated as capital items. The Basic Own Funds are classified into three Tiers based on permanency and loss absorbency (Tier 1 being the highest quality and Tier 3 the lowest). Limits are imposed on the amount of each tier that can be held to cover the SCR.

Surplus funds in the with-profits funds are restricted and can only be included in Eligible Own Funds up to the value of the SCR they are used to support.

The Company has obtained PRA approval to calculate the SCR using an Internal Model. This model has been calibrated to ensure that the Company's liabilities could be met in one year's time with a 99.5% confidence level, or in other words to be able to withstand a 1 in 200 year event.

The SII surplus position at 31 December 2024 is presented in the Strategic report on page 4.

The Company did not breach the SCR at any time during the year.

**Capital Policy**
The capital policy is set by the Board and ensures there is sufficient capital to cover the SCR under stress conditions. It is monitored weekly by management and is reported each month at an executive and Board level.

The policy also ensures sufficient liquidity to meet creditor and dividend obligations. Volatility in the latter is monitored at the executive and Board level through stress and scenario testing. Where cash flow volatility is judged to be in excess of the Board's risk appetite, de-risking activities are undertaken. The Company did not breach its capital policy at any time during the year.

**37. Risk management**

**a) Overview**

***Risk Management Framework***
The Group has a system of governance that embeds clear ownership of risk and has a Risk Management Framework ("RMF") that supports the identification, measurement, assessment, management and reporting of risks within approved risk appetites. We have an established 'three lines of defence' model. Management (Line 1) is responsible for risk ownership and maintaining effective processes, procedures and controls; the Risk Function (Line 2) provides independent oversight and challenge; and Internal Audit (Line 3) provides objective assurance.

Periodic review of the RMF is an integral part of the system of governance in the Group, and in 2024 we adopted ways to further promote individual accountability. In 2025, we will look for further opportunities to streamline and augment the framework, including technology solutions that might help further simplify its operation across the Group. Any changes we choose to make will be considerate of the 2024 Corporate Governance Code in helping the Board to assess the effectiveness of the RMF.

An overview of the elements of the Group's RMF is included in the Group's 2024 Annual Report and Accounts.

***Risk Universe***
A key element of effective risk management is ensuring the business understands the risks it faces. The Group's Risk Universe summarises the risks to which the Group is exposed. The Risk Universe allows the Group to deploy a common risk taxonomy and language, allowing for meaningful comparison to be made across the business. The risk profile of each is an assessment of the impact and likelihood of those risks crystallising and the Group failing to achieve its strategic objectives. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, measured, managed, monitored and reported through the Group's RMF processes.

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

| Level 1 category | Definition |
|---|---|
| Strategic risk | The risk of financial failure, or reputational loss, loss of earnings and / or value arising from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in business environment. |
| 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, climate change and regulatory information. |
| Market risk | The risk of loss or of adverse changes in the financial situation resulting, directly or indirectly, from fluctuations in the level and the volatility of market prices of assets, liabilities and financial instruments. |
| Credit risk | The risk of loss or adverse change in the financial situation resulting from counterparty failure to meet financial obligations or fluctuations in the credit standing of issuers of securities, counterparties, or any debtors to which the Group is exposed. |
| Insurance risk | The risk of reductions in earnings and / or value, through financial or reputational loss, due to experience variations in the timing, frequency and severity of insured / underwritten events and to fluctuations in the timing and amount of claim settlements. |
| 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 reputational loss, from inadequate or failed internal processes and systems, or from people related or external events. |
| Sustainability risk | The risk of financial failure, poor customer outcomes, loss of earnings and / or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group's customers, financials and strategy (and vice versa). |

The Company has also defined a more granular categorisation for Level 2 and Level 3 risks. This helps to further explain our attitude to these risks.

**b) Climate risk**
The Company is exposed to market and credit risk related to the transition to a low carbon economy, and the physical impacts resulting from climate change which could result in long-term market, credit, insurance, reputation, proposition and operational implications. As such, this risk is treated as a component of the cross-cutting Sustainability risk in the Group's Risk Universe.

Identification of climate related risks has been embedded into the Group's RMF, which applies to the Company. Significant progress has been made in recent years in developing risk metrics and establishing appropriate governance and risk management processes. The Group has adopted a proactive approach towards combatting climate change, with key net-zero targets. Further details on these targets and on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures ("TCFD") within the Group's Annual Report and Accounts.

**c) 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.

**d) 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.

Responsibility for agreeing the financial risk profile rests with the Board, as advised by investment managers, internal committees and the actuarial function. In setting the risk profile, the Board will receive advice from the Chief Investment Officer, the With-Profits Actuaries and the Chief Actuary as to the potential implications of that risk profile on the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement. The Chief Actuary will also advise the extent to which the investment risk assumed is consistent with the Company's commitment to help customers secure a life of possibilities, including meeting the FCA's expectations under Consumer Duty.

The Company's overall exposure to investment risk is monitored by appropriate committees, which agree policies for managing each type of risk on an ongoing basis, in line with the investment strategy developed to achieve investment returns in excess of amounts due in respect of insurance contracts. The effectiveness of the Company's Asset Liability Management ("ALM") framework relies on the matching of assets and liabilities arising from insurance and investment contracts, taking into account the types of benefits payable to policyholders under each type of contract. Separate portfolios of assets are maintained for with-profits business, which includes all of the Company's participating business, non-linked non-participating business and unit-linked business.

**e) 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, to meet its obligations to policy liabilities, the operating requirements of its subsidiaries and to meet margin calls under its hedging strategies.

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, risk appetite and Principles and Practices of Financial Management (PPFM);
- 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.

The Company's liquidity risk management strategy is based on a risk appetite of less than a 1 in 200 chance of having insufficient liquid or tangible assets to meet financial obligations as they fall due and is supported by:

- Holding appropriate assets to meet liquidity buffers;
- Holding high quality liquid assets to support day to day operations;
- An effective stress testing framework to ensure survival horizons are met under different severe, but plausible scenarios;
- Effective liquidity portfolio management including Early Warning Indicators; and
- Liquidity risk contingency planning

Liquidity forecasts showing headroom against liquidity buffers across a range of time horizons is monitored across all funds and segregated liquidity pools on a monthly basis. In the event of a liquidity shortfall, either current or projected, this would be managed in line with the Contingency Liquidity Plan where the latest available contingent management actions would be considered. In addition, the Company performs regular reviews of its liquidity risks, monitors risk indicators, and performs stress testing on these risks to define minimum liquid asset requirements and assess resilience of available actions. This mitigates the risk that the Company does not have appropriate liquidity under severe stress conditions.

For annuity contracts, assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. The Company actively manages and monitors the performance of these assets against liability benchmarks and liquidity risk is minimised through the process of planned asset and liability matching.

For non-participating unit-linked contracts, a core portfolio of assets is maintained and invested in accordance with the mandates of the relevant unit-linked funds. Policyholder behaviour and the trading position of asset classes are actively monitored. The unit price and value of any associated contracts would reflect the proceeds of any sales of assets.

Investment contract policyholders have the option to terminate or transfer their contracts in part or in full at any time and to receive the surrender or transfer value of their policies. Although these liabilities are payable on demand, and are therefore included in the contractual maturity analysis as due within one year, the Company does not expect all these amounts to be paid out within one year of the reporting date. Such surrenders would be matched in practice, if necessary, by sales of underlying assets and mass lapses are considered within liquidity requirements. The Company can delay settling liabilities to unit-linked policyholders to ensure fairness between those remaining in the fund and those leaving the fund. The length of any such delay is dependent on the underlying financial assets.

A significant proportion of the Company’s financial assets are held in gilts, cash, supranationals and investment grade securities, which the Company considers sufficient to meet the liabilities as they fall due.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis, and throughout periods of market volatility.

**f) Contractual maturities**

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's financial liabilities and associated interest. The contractual maturities of liabilities under insurance contracts are included based on the estimated timing of the discounted amounts recognised in the Statement of financial position, with the remaining financial liabilities included on an undiscounted basis, in accordance with the requirements of UK GAAP:

**2024**

| | 1 year or less or on demand £m | 1-5 years £m | Greater than 5 years £m | No fixed term £m | Total £m |
|---|---|---|---|---|---|
| Insurance contracts | 5,322 | 13,375 | 37,981 | - | 56,678 |
| Investment contracts with DPF | 3,864 | 7,718 | 11,410 | - | 22,992 |
| Investment contracts without DPF | 130,554 | - | - | - | 130,554 |
| Deposits received from reinsurers | 296 | 663 | 1,694 | - | 2,653 |
| Derivative Liabilities | 280 | 191 | 8,405 | - | 8,876 |
| Creditors arising out of reinsurance operations | 132 | - | - | - | 132 |
| Creditors arising out of direct insurance operations | 57 | - | - | - | 57 |
| Accruals and deferred income | 103 | 11 | 8 | - | 122 |
| Other Creditors: Other payables | 206 | - | - | - | 206 |
| Other Creditors: Investment sundry creditors | 580 | - | - | - | 580 |
| Amounts owed to credit institutions | - | - | - | 31 | 31 |
| Other Creditors: Obligations for repayment of collateral received | 646 | - | - | - | 646 |

**2023**

| | 1 year or less or on demand £m | 1-5 years £m | Greater than 5 £m | No fixed term £m | Total £m |
|---|---|---|---|---|---|
| Insurance contracts | 5,394 | 13,902 | 36,680 | - | 55,976 |
| Investment contracts with DPF | 4,029 | 7,749 | 12,610 | - | 24,388 |
| Investment contracts without DPF | 119,179 | - | - | - | 119,179 |
| Deposits received from reinsurers | 361 | 655 | 2,040 | - | 3,056 |
| Derivative Liabilities | 145 | 344 | 5,044 | - | 5,533 |
| Creditors arising out of reinsurance operations | 118 | - | - | - | 118 |
| Creditors arising out of direct insurance operations | 43 | - | - | - | 43 |
| Accruals and deferred income | 82 | 14 | 9 | - | 105 |
| Other Creditors: Other payables | 315 | - | - | - | 315 |
| Other Creditors: Investment sundry creditors | 638 | - | - | - | 638 |
| Amounts owed to credit institutions | - | - | - | 45 | 45 |
| Other Creditors: Obligations for repayment of collateral received | 705 | - | - | - | 705 |

**(g) Financial Soundness: Capital management risk**

Capital management risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to a failure to maintain sufficient capital to provide appropriate security for policyholders 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 PRA. Note 36 gives more detail on how capital and capital management risk are managed.

**(h) Financial Soundness: Tax risk**

Tax risk is defined as the risk of reductions in earnings and / or value, through financial or reputational loss, due to an unforeseen tax cost, or by the inappropriate reporting and disclosure of information in relation to taxation.

Potential causes of tax risk are: the Company making a material error in its tax reporting; incorrect calculation of tax provisions; failure to implement the optimum financial arrangements to underpin a commercial transaction; and incorrect operation of policyholder tax requirements.

There are tax consequences associated with other risks and these are considered as part of the evaluation of those risks. For example, a crystallisation of market risk may result in lower projected future profits which may in turn result in reduced deferred tax assets and reduced benefit from loss absorbing capacity of deferred taxes in the SCR.

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 Company has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk and that details the controls the Company has in place to manage those risks.

**(i) Market risk**

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The Company is mainly exposed to market risk as a result of:

- the mismatch between liability profiles and the related asset investment portfolios;
- the investment of assets held to meet regulatory capital and solvency requirements;
- the investment of surplus assets including owners' reserves yet to be distributed and surplus assets within the long-term funds; and
- the income flow of management charges from the invested assets of the business.

The Company manages the levels of market risk that it accepts through the operation of a Market Risk Policy, using a number of controls and techniques including:

- Defined lists of permitted securities and / or application of investment constraints and portfolio limits;
- Clearly defined investment benchmarks for policyholder and shareholder funds;
- Stochastic and deterministic asset / liability modelling;
- Active use of derivatives to improve the matching characteristics of assets and liabilities and to reduce the risk exposure of a portfolio; and
- Setting risk limits for main market risks and managing exposures against these appetites.

All operations comply with regulatory requirements relating to the taking of market risk.

Assets in the shareholder funds are managed against benchmarks that ensure they are diversified across a range of asset classes, instruments and geographies that are appropriate to the liabilities of the funds or are held to match the cash flows anticipated to arise in the business. A combination of limits by name of issuer, sector, geographical region and credit rating are used where relevant to reduce concentration risk among the assets held.

The assets of the participating business are principally managed to support the liabilities of the participating business and are appropriately diversified by both asset class and geography, considering:

- The economic liability and how this varies with market conditions;
- The need to invest assets supporting participating business in a manner consistent with the participating policyholders' reasonable expectations and PPFM; and
- The need to ensure that regulatory and capital requirements are met.

In practice, an element of market risk arises as a consequence of the need to balance these considerations, for example, in certain instances participating policyholders may expect that equity market risk will be taken on their behalf, and derivative instruments may be used to manage these risks.

Markets retain the potential to be volatile particularly given geopolitical instability, with escalation of regional conflicts and increasing protectionist policies able to result in increased inflationary pressures due to global policy changes and supply change disruption. More detail is covered within the Principal Risks section within the Group's Annual Report and Accounts.

**(j) Market Risk: Interest rate and inflation risk**

Interest rate (and inflation) 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 that may result in losses for policyholders and shareholders.

The main financial assets held by the Company that give rise to interest rate risk are debt securities, loans and deposits and cash at bank and in hand. Insurance and investment contract liabilities exposed to interest rate risk principally comprise non-unit-linked liabilities. Other financial liabilities subject to interest rate risk include derivative financial instruments and borrowings.

The Company is required to manage its interest rate exposures in line with the Company's qualitative risk appetite statements, quantitative risk metrics and any additional hedging benchmarks. Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the non-profit funds. The market risks arising from participating business are born primarily by the with-profits policyholders. Market risk exposures, including the exposure to interest rate risk, are set with the aims of (i) ensuring that the with-profits funds are strong enough to honour guarantees and to smooth investment returns, and (ii) to optimise the risks and returns for with-profits policyholders, taking into account previous undertakings made to policyholders as well as legal and regulatory requirements.. In practice, the Company maintains an appropriate mix of debt securities according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

With-profits business and non-participating business within the with-profits funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include debt securities and derivatives. For with-profits business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits. The contribution of these funds to the Company result is determined primarily by either the owners' share of the declared annual bonus or by the owners' interest in any change in value in the capital advanced to the Company's with-profits funds.

The matching of movements in liabilities and hedging assets under several stresses is used to minimise the interest rate risk that arises from mismatches between participating contract liabilities and the assets backing those liabilities. Cash flow matching is used to minimise the interest rate risk that arises in the participating business from mismatches between non-participating insurance contract liabilities and the assets backing those liabilities. A combination of debt securities and derivative financial instruments are held to assist in the management of interest rate sensitivity arising in respect of the cost of guarantees.

A sensitivity analysis for interest rate risk is presented in section (t) below.

**(k) Market Risk: Currency risk**

Currency risk is the risk that changes in the value of currencies could lead to reductions in asset values that may result in losses for policyholders and shareholders.

The Company's principal transactions are carried out in sterling and therefore its currency risk is limited principally to foreign operations. The Company's non-sterling denominated operations generally invest in assets in the same currency denomination as their liabilities, so foreign currency mismatch risk between assets and liabilities is largely mitigated.

The Company's financial assets are generally denominated in the same currencies as its insurance and investment liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad. This exposure is managed through the use of derivatives.

The Company is exposed to currency risk fluctuations impacting the income flow of management charges from the invested assets of unit-linked funds. This is primarily managed against risk appetites through the use of derivatives.

Certain with-profits funds have an exposure to overseas assets that is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed through investment mandates that are subject to the oversight of the Enterprise Asset Management Committee and Board Investment Committee.

Sensitivity of profit after tax and equity to fluctuations in currency exchange rates is not considered significant at 31 December 2024 (2023: not considered significant).

**(l) Market Risk: Equity and property price risk**

The Company is exposed to the risk of reductions in the valuation of equities (or changes in the volatility) or property investments that could result in reductions in asset values and losses for policyholders or shareholders. In this context, equity assets should be taken to include shares, equity derivatives, equity collectives and unlisted equities. Property assets include direct property investment, shares in property companies, property collectives and structured property assets.

Equity and property price risk is primarily borne in respect of assets held in with-profits funds, unit-linked funds or ERMs in the non-profit fund. For unit-linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with-profits funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk. In addition, some equity investments are held in respect of owners' funds. For the non-profit fund property price risk from ERMs is borne by the Company with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation approved by the Board.

The Company's objective in holding these assets is to earn higher long-term returns by investing in a diverse portfolio of high quality equities and properties.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for maintaining adequate regulatory capital and Consumer Duty. Exposure to property price risk on No Negative Equity Guarantees ("NNEG") on a small proportion of ERMs is hedged through Over-the-Counter ("OTC") contracts of insurance. Exposures to equity securities are primarily controlled through the use of investment mandates including constraints based on appropriate equity indices. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited. For the participating business, exposures are also partially hedged through the use of derivatives. Exposures to property holdings are primarily controlled through the use of portfolio limits that specify the proportion of the value of the total property portfolio represented by any one property or group of properties, geographic area, or property type.

The Company as a whole is exposed to price risk fluctuations impacting the income flow of management charges from the invested assets of all funds. This is primarily managed through the use of derivatives.

A sensitivity analysis for equity and property price risk is presented in section (t) below.

**(m) Strategic Financing risk**

The Company holds strategic financing investments as part of their wider diversified portfolios. The risks are managed in accordance with the ALM framework, taking into account the ALM targets and risk appetite of the funds in question. Investments are chosen in line with the Companies sustainable investment philosophy and in compliance with the Prudent Person Principle.

Some of the Group's pension schemes have exposure to Strategic Financing risk. These exposures may be material in the context of the scheme, however this is not material to the Company as a whole. Risk exposures are managed via each Scheme's investment strategy, as agreed by the trustees of each scheme.

The ongoing effectiveness of market risk mitigation is monitored on a regular basis by the Enterprise Asset and Liability Committee ('ALCo').

**(n) Policyholder Investment Outcomes risk**

The Company provides unit-linked investment propositions where policyholder assets are exposed to market risk. The Company operates a suite of controls over customer funds to ensure exposure to market risk is maintained within the customer's risk appetite. These controls include monitoring of investment manager and external fund performance, reviewing customer funds and making changes as required to manage market and investment risk.

**(o) Credit risk**

Credit risk is defined as the risk of loss of adverse change in the financial situation resulting from counterparty failure to meet financial obligation or fluctuations in the credit standing of issuers of securities, counterparties, or any debtors to which the Company is exposed.

There are two principal sources of credit risk for the Company:

- Credit risk which results from direct investment activities, including investments in debt securities, derivative counterparties, collective investment schemes, hedge funds and the placing of cash deposits; and
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, reinsurance agreements, and the lending of securities.

The amount disclosed in the Statement of financial position in respect of all financial assets, together with rights secured under unrecognised collateral arrangements, but excluding those that back unit-linked liabilities, represents the Company's maximum exposure to credit risk.

***Credit risk management***

Credit risk is managed by the monitoring of aggregate Company exposures to individual counterparties and by appropriate credit risk diversification (including by industry, credit rating, asset class and country). The Company manages the level of credit risk it accepts through an established Group Credit Risk Policy and Group Credit Limit and Counterparty Framework that includes the use of credit risk tolerances and limits. Additional controls for illiquid asset concentration risk are set out via specific risk limits within the framework. Credit risk on derivatives and securities lending is mitigated through the use of collateral with appropriate haircuts.

The Company operates an Asset Management Risk Committee, Ratings Committee and Portfolio Credit Committee to monitor and control oversight of externally rated and internally rated assets. A variety of methods are used to validate the appropriateness of credit assessment from external institutions and fund managers. Internally rated assets are those that do not have a public rating from an external credit rating agency ("CRA"), or from external asset managers (where the methodology and framework is assessed by Line 2 as being CRA comparable). These Committees review the policies, processes and practices to ensure the appropriateness of the internal ratings assigned to asset classes, in line with regulatory requirements.

The Company maintains accurate and consistent risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating framework is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories of assets and are assessed and updated regularly. Significant exposures and breaches are reported to the Board and to the Investment Committee.

The Company has increased exposure to an array of illiquid credit assets such as ERMs, local authority loans, social housing, infrastructure and commercial real estate with the aim of achieving greater diversification and investment returns, consistent with the Strategic Asset Allocation approved by the Board.

The impact of non-government debt securities and, inter alia, the change in market credit spreads during the year are fully reflected in the values shown in these financial statements. Credit spreads are the excess of corporate bond yields over the risk free rate to reflect the higher level of risk and return. Similarly, the value of derivatives that the Company holds takes into account the full changes in swap spreads.

The shareholders' exposure to credit risk arising from investments held in the with-profits funds is similar in purpose to that disclosed for market risk exposures in section (i).

***Concentration of credit risk***

Concentration of credit risk might exist where the Company has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Company's counterparty risk is monitored by the Group Credit Limit and Counterparty Framework contained within Group Credit Risk Policy and further provided in investment management agreements, overlaid by regulatory requirements. Counterparty risk in respect of OTC derivative counterparties is monitored using a Potential Future Value exposure metric.

The Company is also exposed to concentration of credit risk with outsourced service providers. This is due to the nature of the outsourced services market. The Company operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees as well as through stress and scenario testing.

***Reinsurance***
The Company is exposed to credit risk as a result of insurance risk transfer contracts with reinsurers. The Company's policy is to place reinsurance only with highly rated counterparties. The Company is restricted from assuming concentrations of risk with individual external reinsurers by specifying limits on ceding and the minimum conditions for acceptance and retention of reinsurers, however due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings, some concentration risk does arise. The Company manages its exposure to reinsurance credit risk through collateralisation where appropriate and regular monitoring of exposures at the Reinsurance Management Committee and other credit focused committees.

The Company has successfully completed BPA transactions with a combined premium of £5.1bn (2023: £6.2bn) and the majority of the associated longevity exposures are ceded to third party reinsurers.

***Collateral***
The credit risk exposure of the Company is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. The use of collateral is governed by formal contractual agreements between the parties.

Collateral is mainly obtained in respect of reinsurance, OTC derivatives and stock lending activity. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist.

Information on the values of collateral held and pledged are given in note 21.

**(p) Quality of credit assets**
An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The following table sets out the Company's aggregate credit exposure to different credit assets for those counterparties that are rated by a CRA. Credit assets and their issuers are rated by CRA's based on their credit worthiness. The Company aims to mainly invest in Investment Grade assets.

**2024**

| | AAA £m | AA £m | A £m | BBB £m | BB and below £m | Internally rated £m | Non-Rated £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| Loans and deposits | - | - | - | - | - | - | 151 | 151 |
| Derivative assets | - | 1,414 | 530 | 43 | - | - | 178 | 2,165 |
| Debt securities | 3,280 | 19,095 | 7,089 | 3,590 | 109 | 3,180 | 5,998 | 42,341 |
| Reinsurers share of technical provisions | - | 14,360 | 1,979 | - | - | - | - | 16,339 |
| Cash at bank and in hand | - | 9 | 408 | 48 | - | - | - | 465 |
| | 3,280 | 34,878 | 10,006 | 3,681 | 109 | 3,180 | 6,327 | 61,461 |

**2023**

| | AAA £m | AA £m | A £m | BBB £m | BB and below £m | Internally rated £m Restated (note 4) | Non-Rated £m | Total £m Restated (note 4) |
|---|---|---|---|---|---|---|---|---|
| Loans and deposits | - | - | - | - | - | - | 192 | 192 |
| Derivative assets | - | 1,314 | 538 | - | - | - | 284 | 2,136 |
| Debt securities | 2,879 | 18,087 | 6,009 | 2,575 | 33 | 5,737 | 5,603 | 40,923 |
| Reinsurers share of technical provisions | - | 13,721 | 2,543 | - | - | - | - | 16,264 |
| Cash at bank and in hand | - | 12 | 430 | 42 | - | - | - | 484 |
| | 2,879 | 33,134 | 9,520 | 2,617 | 33 | 5,737 | 6,079 | 59,999 |

The Company had no material assets that were impaired or past due (2023: £nil).

To achieve better diversification of credit risk and enhance returns, the Company invests in private debt assets which are more illiquid than standard corporate bonds and generally not rated by a CRA. The monitoring and control oversight of internally rated assets is discussed in more detail in section (o).

The following table provides information regarding the aggregate credit exposure of internally rated assets:

**2024**

| | AAA £m | AA £m | A £m | BBB £m | BB and below £m | Total £m |
|---|---|---|---|---|---|---|
| Debt securities | 55 | 526 | 1,226 | 1,242 | 131 | 3,180 |
| | 55 | 526 | 1,226 | 1,242 | 131 | 3,180 |

**2023 (restated note 4)**

| | AAA £m | AA £m | A £m | BBB £m | BB and below £m | Total £m |
|---|---|---|---|---|---|---|
| Debt securities | 169 | 1,427 | 2,304 | 1,628 | 209 | 5,737 |
| | 169 | 1,427 | 2,304 | 1,628 | 209 | 5,737 |

Non-equity based derivatives are included in the credit risk table above and are subject to appropriate collateral arrangements.

Credit ratings have not been disclosed in the above tables for holdings in collective investment schemes. The credit quality of the underlying debt securities within these vehicles is managed by the safeguards built into the investment mandates for these vehicles.

Credit ratings have not been disclosed in the above tables for the assets of the unit-linked funds since the shareholder is not directly exposed to credit risks from these assets. Included in unit-linked funds are assets which are held as reinsured external fund links. Under certain circumstances, the shareholder may be exposed to losses relating to the default of the reinsured external fund link. These exposures are actively monitored and managed by the Company and the Company considers the circumstances under which losses may arise to be very remote.

For reinsurance assets, where the counterparty is part of a group and a rating only exists for the parent of the group, then the rating of the parent company has been used where appropriate.

**(q) Insurance risk**

Insurance risk is defined as the risk of reductions in earnings and / or value, through financial or reputational loss, due to experience variations in the timing, frequency and severity of insured / underwritten events and to fluctuations in the timing and amount of claim settlements.
The Company is exposed to the following elements of insurance risk:

- Longevity risk – lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
- Mortality risk – higher than expected death claims on assurance products, lower than expected improvements in mortality, or adverse movement in mortality rates on ERMs.
- Morbidity / Disability risk – higher than expected number of inceptions on critical illness or income protection policies, lower than expected termination rates on income protection policies, or adverse movements in morbidity rates on ERMs.
- Persistency risk – adverse movement in surrender rates, Guaranteed Annuity Option (“GAO”) surrender rates, GAO take-up rates, policyholder retirement dates, propensity to commute benefits, transfer out rates, the occurrence of a mass lapse event, or adverse change in mortgage prepayment rates leading to losses.
- Expense risk – unexpected timing or value of expenses incurred
- New business pricing risk – inappropriate pricing of new business that is not in line with the underlying risk factors for that business.

***Objectives and policies for mitigating insurance risk***

Insurance risks are managed by monitoring the Company’s exposure against pre-defined appetite limits. If a risk is moving out of appetite, the Company can choose to mitigate it via reinsurance in the case of longevity, mortality and morbidity risks, or by taking other risk reducing actions.

This is supported by additional methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. Assumptions that are deemed to be financially significant are reviewed at least annually for pricing and reporting purposes.

For expense risk, the service companies within the Group incur the cost of policy management services and typically charges the Company a fixed per policy charge with pre-agreed rate increases over a fixed term, thereby reducing some of the expense risk exposure borne by the Company.

The profitability of the run-off of the Company's legacy business depends to a significant extent on the values of claims paid in the future relative to the assets accumulated to the date of claim. Typically, over the lifetime of a contract, premiums and investment returns exceed claim costs in the early years and it is necessary to set aside these amounts to meet future obligations. The amount of such future obligations is assessed on actuarial principles by reference to assumptions about the development of financial and insurance risks.

It is therefore necessary for the Board to make decisions, based on actuarial advice, which ensure an appropriate accumulation of assets relative to liabilities. These decisions include investment policy, bonus policy and, where discretion exists, the level of payments on early termination.

For the Company's Retirement Solutions business, longevity risk exposures have continued to increase as a result of the BPA deals it has successfully acquired, although the majority of these exposures have been reinsured to third parties.

The Company's liabilities under insurance contracts are detailed in note 31, which also covers the risks arising on specific contracts and how these are mitigated.

A sensitivity analysis for insurance risk is presented in section (t) below.

**(r) 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 Outcomes:** The risk that our decisions, actions or behaviours individually or collectively result in a failure to act to deliver good outcomes for our customers.
- **Customer Transformation:** The risk that 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.

The Group has both a Conduct Risk appetite, to focus on behaviours within the business, and a Customer Risk appetite to focus on achieving good customer outcomes (both of which apply to the Company). The behaviours and standards all colleagues are expected to achieve are detailed in our Group Code of Conduct. For our customers, what represents a good outcome is articulated in our Customer Standards and supporting Business Unit processes.

In addition, the Group Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to help the Group meet its aim of helping people secure a lifetime of possibilities. It seeks to do this by putting customers at the heart of our strategy and decision making, achieving good customer outcomes and preventing foreseeable harm.

The Company also has a suite of customer polices which set out the key customer risks and control objectives in place to mitigate them. The customer risks for the Group, and of the Company, are regularly reported to management oversight committees.

**(s) 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 the Company's 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, malpractice or failure of colleagues, 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 all 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.

**(t) Financial and insurance risk sensitivities**

The Company is managed and decisions are made on a Solvency UK basis. Therefore, the tables that follow illustrate the sensitivity, on a Solvency UK basis, to variations in the key assumptions made in relation to the Company's most significant financial and insurance risk exposures. The values have, in all cases, been determined by varying the relevant assumption as at the reporting date and considering the consequential impacts assuming other assumptions remain unchanged and are for a full financial year, net of tax. The sensitivities have been performed against an unaudited Solvency UK base position of £5,474m (2023: £5,913m) £1,700m (2023: £2,488m), being own funds and shareholder interest in the fund for some with-profits funds.

Insurance liabilities are sensitive to changes in risk variables, such as prevailing market interest rates, credit spreads and equity prices, since these variations alter the value of the financial assets held to meet obligations arising from insurance contracts and changes in investment conditions also have an impact on the value of insurance liabilities themselves. Additionally, insurance liabilities are sensitive to the assumptions which have been applied in their calculation. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. The most significant non-economic sensitivities arise from mortality, longevity and lapse risk.

***Unaudited sensitivities on a Solvency UK basis***

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| ***Financial sensitivities*** | | |
| Variable widening of credit spreads | (1,312) | (1,313) |
| Variable narrowing of credit spreads | 168 | 204 |
| Variable increase in interest rates | (342) | (304) |
| Variable decrease in interest rates | 311 | 275 |
| Variable increase in equity and property prices | 1,205 | 421 |
| Variable decrease in equity and property prices | (562) | (406) |
| ***Insurance sensitivities*** | | |
| Variable increase in assurance mortality | (216) | (220) |
| Variable decrease in assurance mortality | 257 | 263 |
| Variable increase in annuitant longevity | (390) | (540) |
| Variable decrease in annuitant longevity | 350 | 466 |
| Variable increase in lapse rates | (682) | (550) |
| Variable decrease in lapse rates | 1,146 | 1,003 |

***Limitations***

The financial impact of certain risks is non-linear and consequently the sensitivity of other events may differ from expectations based on those presented above. Correlations between the different risks and / or other factors may mean that experience would differ from that expected if more than one risk event occurred simultaneously. The analysis has been assessed as at the reporting date. The results of the mortality sensitivity analysis have been based on instantaneous change in the mortality assumption at all ages, rather than considering gradual changes in mortality rates.

## 38. Commitments

| | 2024 | 2023 |
|---|---|---|
| | £m | £m |
| To subscribe to private equity funds and other unlisted assets | 1,884 | 1,410 |
| To purchase, construct or develop investment property | 8 | 17 |
| For repairs, maintenance or enhancements of investment property | 13 | 8 |
| | 1,905 | 1,435 |

## 39. Related party transactions

The Company has taken advantage of the exemption under FRS 102 *Related Party Disclosures* from disclosing transactions with other wholly owned subsidiary undertakings of the Phoenix Group. The Company has no related parties that are not wholly owned subsidiary undertakings of the Phoenix Group.

**40. Listing of subsidiaries**

The subsidiaries of the Company held for strategic purposes are as follows:

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| 3 St Andrews Square Apartments Limited | Scotland | Ordinary shares, 100% | 1 |
| Patria Private Equity Trust plc | Scotland | Investment trust, 54% | 30 |
| Britannic Finance Limited | England and Wales | Ordinary shares, 100% | 2 |
| Britannic Money Investment Services Limited | England and Wales | Ordinary shares, 100% | 2 |
| CGE Management Services Company | Scotland | Ordinary shares, 100% | 1 |
| Cityfourinc (unlimited) | England and Wales | Ordinary & Preference shares, 100% | 2 |
| Pearl Customer Care Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ULA Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER1 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER2 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER3 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER4 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER5 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix ER6 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix SPV1 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix SPV2 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix SPV3 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix SPV4 Limited | England and Wales | Ordinary shares, 100% | 2 |
| Phoenix Unit Trust Managers Limited | England and Wales | Ordinary shares, 100% | 2 |
| Scottish Mutual Nominees Limited | Scotland | Ordinary shares, 100% | 29 |
| Scottish Mutual Pension Funds Investment Ltd | Scotland | Ordinary shares, 100% | 29 |
| SLIF Property Investment GP Limited | Scotland | Ordinary shares, 100% | 1 |
| SLIF Property Investment LP | Scotland | Limited partnership, 100% | 1 |
| Standard Life Assets and Employee Services Ltd | Scotland | Ordinary shares, 100% | 29 |
| Standard Life Master Trust Co Limited | England and Wales | Ordinary shares, 100% | 2 |
| Standard Life Pension Funds Limited | Scotland | Ordinary shares, 100% | 29 |
| Standard Life Trustee Company Limited | Scotland | Ordinary shares, 100% | 29 |
| SunLife Limited | England and Wales | Ordinary shares, 100% | 2 |
| The Phoenix Life SCP Institution | Scotland | Unlimited without share capital | 29 |
| Vebnet Limited[2] | Scotland | Ordinary shares, 100% | 29 |
| Vebnet (Holdings) Limited | England and Wales | Ordinary shares, 100% | 2 |

The subsidiaries of the Company held for investment purposes and measured at fair value are as follows:

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| ASI Phoenix Global Private Equity III LP - Pool A | Scotland | Limited Partnership, 100% | 1 |

[2] Vebnet Limited was sold to Benefex Limited, a company outside of the group on 3 March 2025.

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| ASI Phoenix Global Private Equity III LP - Pool B | Scotland | Limited Partnership, 100% | 1 |
| ASI Phoenix Global Private Equity III LP - Pool C | Scotland | Limited Partnership, 100% | 1 |
| European Strategic Partners II GP L.P. | Scotland | Limited Partnership, 100% | 1 |
| NASP 2008 Ltd Partnership | Scotland | Limited Partnership, 100% | 1 |
| Aberdeen Emerging Markets Equity Fund | Scotland | OEIC, 22% | 1 |
| Aberdeen Japanese Equity Fund | Scotland | OEIC, 55% | 1 |
| Aberdeen Europe ex UK Equity Fund | Scotland | OEIC, 21% | 1 |
| Aberdeen Asia Pacific Equity Fund | Scotland | OEIC, 25% | 1 |
| Aberdeen UK Income Equity Fund | Scotland | OEIC, 38% | 1 |
| Aberdeen American Equity Fund | Scotland | OEIC, 57% | 1 |
| Aberdeen UK Mid-Cap Equity Fund | Scotland | OEIC, 35% | 1 |
| Aberdeen UK Sustainable and Responsible Investment Equity Fund | Scotland | OEIC, 33% | 1 |
| Aberdeen Strategic Bond Fund | Scotland | OEIC, 68% | 1 |
| Pearl Private Equity LP | Scotland | Limited Partnership, 100% | 1 |
| Pearl Strategic Credit LP | Scotland | Limited Partnership, 100% | 1 |
| Aberdeen Sustainable Index World Equity Fund | Scotland | OEIC, 51% | 1 |
| Aberdeen Private Equity Opportunities Trust plc | Scotland | Investment Trust, 45% | 1 |
| Aberdeen (Lothian) North American Trust | Scotland | Unit Trust, 98% | 1 |
| Aberdeen (Lothian) Pacific Basin Trust | Scotland | Unit Trust, 96% | 1 |
| Aberdeen (Lothian) Japan Trust | Scotland | Unit Trust, 98% | 1 |
| Aberdeen Europe ex UK Ethical Equity Fund | Scotland | OEIC, 77% | 1 |
| Aberdeen Global Infrastructure Equity Institutional Founder Fund | Scotland | OEIC, 43% | 1 |
| Aberdeen Global Real Estate Fund | Scotland | OEIC, 27% | 1 |
| Aberdeen (Lothian) International Trust | Scotland | Unit Trust,100% | 1 |
| Aberdeen (Lothian) UK Equity General Trust | Scotland | Unit Trust, 98% | 1 |
| Aberdeen UK Value Equity Fund | Scotland | OEIC, 46% | 1 |
| Aberdeen Asia Pacific Equity Enhanced Index Fund | Scotland | OEIC, 34% | 1 |
| Aberdeen European Equity Enhanced Index Fund | Scotland | OEIC, 23% | 1 |
| Aberdeen Japan Equity Enhanced Index Fund | Scotland | OEIC, 49% | 1 |
| Aberdeen UK Equity Enhanced Index Fund | Scotland | OEIC, 30% | 1 |
| Aberdeen American Equity Enhanced Index Fund | Scotland | OEIC, 38% | 1 |
| Aberdeen Global Government Bond Tracker Fund | Scotland | OEIC, 34% | 1 |
| Aberdeen Emerging Markets Equity Enhanced Index Fund | Scotland | OEIC, 23% | 1 |
| Aberdeen Asia Pacific ex-Japan Equity Tracker Fund | Scotland | OEIC, 22% | 1 |
| Aberdeen Sterling Corporate Bond Tracker Fund | Scotland | OEIC, 39% | 1 |
| Aberdeen Europe ex UK Income Equity Fund | Scotland | OEIC, 32% | 1 |
| Aberdeen Ethical Corporate Bond Fund | Scotland | OEIC, 58% | 1 |
| Aberdeen Dynamic Distribution Fund | Scotland | OEIC, 64% | 1 |
| Aberdeen MyFolio Managed I Fund | Scotland | OEIC, 77% | 1 |
| Aberdeen MyFolio Market I Fund | Scotland | OEIC, 43% | 1 |
| Aberdeen MyFolio Managed III Fund | Scotland | OEIC, 85% | 1 |
| Aberdeen MyFolio Managed V Fund | Scotland | OEIC, 78% | 1 |

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| Aberdeen North American Small & Mid-Cap Equity Fund | Scotland | OEIC, 30% | 1 |
| Aberdeen MyFolio Managed IV Fund | Scotland | OEIC, 69% | 1 |
| Aberdeen MyFolio Multi-Manager V Fund | Scotland | OEIC, 39% | 1 |
| Aberdeen Global Inflation-Linked Bond Fund | Scotland | OEIC, 20% | 1 |
| Aberdeen MyFolio Market IV Fund | Scotland | OEIC, 54% | 1 |
| Aberdeen Sterling Corporate Bond Fund | Scotland | OEIC, 41% | 1 |
| Aberdeen MyFolio Multi-Manager III Fund | Scotland | OEIC, 59% | 1 |
| Aberdeen High Yield Bond Fund | Scotland | OEIC, 20% | 1 |
| Aberdeen MyFolio Market V Fund | Scotland | OEIC, 60% | 1 |
| Aberdeen Emerging Markets Income Equity Fund | Scotland | OEIC, 75% | 1 |
| Aberdeen MyFolio Managed II Fund | Scotland | OEIC, 78% | 1 |
| Aberdeen MyFolio Market III Fund | Scotland | OEIC, 57% | 1 |
| European Strategic Partners GP L.P. | Scotland | Limited Partnership, 100% | 1 |
| European Strategic Partners II 'C' G.P. | Scotland | Limited Partnership, 100% | 1 |
| European Strategic Partners L.P. | Scotland | Limited Partnership, 100% | 1 |
| NASP 2006 Ltd Partnership | Scotland | Limited Partnership, 100% | 1 |
| SL Capital Infrastructure I Loan | Scotland | Limited Partnership, 100% | 1 |
| SL Capital Infrastructure II Loan | Scotland | Limited Partnership, 100% | 1 |
| Aberdeen MyFolio Market II Fund | Scotland | OEIC, 50% | 1 |
| Aberdeen MyFolio Multi-Manager I Fund | Scotland | OEIC, 55% | 1 |
| Aberdeen UK Smaller Companies Fund | Scotland | OEIC, 28% | 1 |
| Aberdeen Short Dated Corporate Bond Fund | Scotland | OEIC, 40% | 1 |
| Aberdeen MyFolio Multi-Manager II Fund | Scotland | OEIC, 46% | 1 |
| Aberdeen MyFolio Multi-Manager IV Fund | Scotland | OEIC, 59% | 1 |
| PUTM Bothwell Short Duration Credit Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Floating Rates ABS Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Global Credit Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Asia Pacific (Excluding Japan) Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Emerging Market Debt Unconstrained Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Emerging Markets Equity Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell European Credit Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Global Bond Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Index-Linked Sterling Hedged Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Long Gilt Sterling Hedged | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Sterling Government Bond Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Euro Sovereign Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Sub-Sovereign Bond Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Sterling Credit Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Tactical Asset Allocation Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell UK Listed Equity Income Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Bothwell Ultra Short Duration Fund | England and Wales | Unit Trust, 100% | 2 |
| PUTM Far Eastern Unit Trust | England and Wales | Unit Trust, 100% | 2 |
| PUTM ACS Asia Pacific ex Japan Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS European Ex UK Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Emerging Markets Fund | England and Wales | ACS, 100% | 2 |

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| PUTM ACS Japan Equity Fund | England and Wales | ACS, 97% | 2 |
| PUTM ACS Lothian North American Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Lothian European Ex UK Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Lothian UK Gilt Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Lothian UK Listed Smaller Companies Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS North American Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS North American Fund 2 | England and Wales | ACS, 100% | 2 |
| PUTM ACS Sustainable Index Asia Pacific Ex Japan Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Sustainable Index European Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Sustainable Index Japan Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Sustainable Index UK Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS UK All Share Listed Equity Multi Manager Fund | England and Wales | ACS, 97% | 2 |
| PUTM ACS Sustainable Index Emerging Markets Equity Fund | England and Wales | ACS, 100% | 2 |
| PUTM ACS Sustainable Index US Equity Fund | England and Wales | ACS, 100% | 2 |
| SLAL Transition Fund PHETRNS2PFZZClass | England and Wales | ACS, 100% | 2 |
| PHELT001PFClassSX | England and Wales | Unit Trust, 100% | 2 |
| PHELT002PFClassSX | England and Wales | Unit Trust, 100% | 2 |
| Seabury Euro Liquidity 1 Fund | Luxembourg | SICAV, 100% | 3 |
| Seabury Sterling Liquidity 2 Fund | Luxembourg | SICAV, 100% | 3 |
| Seabury Sterling Liquidity 3 Fund | Luxembourg | SICAV, 91% | 3 |
| SLA (HWPF) Lux S.a.r.l | Luxembourg | Limited Partnership, 100% | 3 |
| ASI Phoenix Fund Financing SCSp (PLFF) | Luxembourg | Special Limited Partnership, 100% | 3 |
| Global Government Bond Fund | Luxembourg | SICAV, 47% | 3 |
| Global High Yield Bond Fund | Luxembourg | SICAV, 39% | 3 |
| Global Short Dated Corporate Bond Fund | Luxembourg | SICAV, 78% | 3 |
| Global Corporate Bond Fund | Luxembourg | SICAV, 51% | 3 |
| Global Real Estate Securities Sustainable Fund | Luxembourg | SICAV, 61% | 3 |
| Euro Corporate Bond Fund | Luxembourg | SICAV, 26% | 3 |
| Absolute Return Global Bond Strategies Fund | Luxembourg | SICAV, 80% | 3 |
| Emerging Market Local Currency Debt Fund | Luxembourg | SICAV, 42% | 3 |
| Aberdeen Emerging Markets Local Currency Bond Tracker Fund | England and Wales | OEIC, 44% | 4 |
| Aberdeen Global Infrastructure Equity Tracker Fund | England and Wales | OEIC, 28% | 4 |
| Aberdeen Short Dated Global Corporate Bond Tracker Fund | England and Wales | OEIC, 96% | 4 |
| Aberdeen Short Dated Sterling Corporate Bond Tracker Fund | England and Wales | OEIC, 85% | 4 |
| Aberdeen American Equity Tracker Fund | England and Wales | OEIC, 30% | 4 |
| Aberdeen Global Inflation-Linked Bond Tracker Fund | England and Wales | OEIC, 70% | 4 |
| Aberdeen UK Real Estate Feeder Fund | England and Wales | OEIC, 63% | 4 |
| Gallions Reach Unit Trust | Jersey | Unit Trust, 100% | 5 |
| SLI UK Shopping Centre Unit Trust | Jersey | Unit Trust, 40% | 5 |
| Baillie Gifford UK and Worldwide Equity Fund | Scotland | OEIC, 30% | 6 |
| Baillie Gifford UK Equity Core Fund | Scotland | OEIC, 43% | 6 |
| Vanguard Global Corporate Bond Index Fund | Ireland | OEIC, 35% | 7 |
| Vanguard U.S. Equity Index Common | Ireland | OEIC, 77% | 7 |

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|---|---|---|---|
| Vanguard U.K. Short-Term Investment Grade Bond Index Fund | Ireland | OEIC, 42% | 7 |
| Vanguard FTSE Developed World Common Contractual Fund | Ireland | OEIC, 40% | 7 |
| Vanguard FTSE Developed World xUK CCF | Ireland | OEIC, 97% | 7 |
| Vanguard FTSE Developed Europe xUK CCF Institutional | Ireland | OEIC, 97% | 7 |
| BlackRock Market Advantage Fund | England and Wales | Unit Trust, 51% | 8 |
| Blackrock ACS World Multifactor Equity Tracker Fund | England and Wales | OEIC, 24% | 8 |
| BNY Mellon Global Equity Fund | England and Wales | OEIC, 22% | 9 |
| BNY Mellon Multi-Asset Global Balanced Fund | England and Wales | OEIC, 37% | 9 |
| Janus Henderson Emerging Markets Opportunities Fund | England and Wales | OEIC, 31% | 10 |
| Janus Henderson Diversified Growth Fund | England and Wales | OEIC, 66% | 10 |
| Janus Henderson Institutional Overseas Bond | England and Wales | OEIC, 99% | 10 |
| Janus Henderson All Stocks Credit Fund | England and Wales | OEIC, 25% | 10 |
| Janus Henderson Institutional Short Duration Bond Fund | England and Wales | OEIC, 100% | 10 |
| Janus Henderson Institutional UK Index Opportunities Fund | England and Wales | Unit Trust, 55% | 10 |
| Janus Henderson Institutional Mainstream UK | England and Wales | Unit Trust, 100% | 10 |
| Janus Henderson Institutional Japan Index | England and Wales | OEIC, 79% | 10 |
| Janus Henderson Institutional North American Index Fund | England and Wales | OEIC, 73% | 10 |
| Janus Henderson Institutional Asia Pacific ex- | England and Wales | OEIC, 87% | 10 |
| Janus Henderson Institutional High Alpha UK Equity Fund | England and Wales | Unit Trust, 92% | 10 |
| Janus Henderson Institutional UK Equity Tracker Trust | England and Wales | Unit Trust, 100% | 10 |
| Ignis Private Equity Fund LP | Cayman Islands | Limited Partnership, 100% | 11 |
| Ignis Strategic Credit Fund LP | Cayman Islands | Limited Partnership, 100% | 11 |
| ISSF II USD Fund Mutual Fund | Ireland | OEIC, 100% | 12 |
| Ignis Strategic Solutions Funds Plc | Ireland | OEIC, sub fund, 100% | 12 |
| Partners Group Phoenix LP Class A | Guernsey | Limited Partnership, 72% | 13 |
| Partners Group Phoenix LP Class B | Guernsey | Limited Partnership, 100% | 13 |
| Partners Group Phoenix LP Class C | Guernsey | Limited Partnership, 73% | 13 |
| Partners Group Phoenix LP Class D | Guernsey | Limited Partnership, 64% | 13 |
| Stonepeak Core | Luxembourg | Unit Trust, 83% | 14 |
| AB Global Dynamic Bond Fund | Luxembourg | SICAV, 43% | 15 |
| AB SICAV I - Sustainable All Market Portfolio | Luxembourg | SICAV, 25% | 15 |
| Amundi MSCI China ESG Leaders Select UCITS ETF | Luxembourg | ETF, 63% | 16 |
| Amundi Global Corp SRI 1-5Y UCITS ETF | Luxembourg | ETF, 33% | 16 |
| Amundi MSCI Emerging EX China ESG Leaders Select UCITS ETF | Luxembourg | ETF, 44% | 16 |
| AQR Global Risk Premium UCITS Fund | Luxembourg | FCP, 100% | 17 |

| Company Name | Country of incorporation and principal place of operation | Type and % of holding | Address |
|---|---|---|---|
| Barings Emerging Markets Debt Short Duration Fund | Ireland | OEIC, 28% | 18 |
| BlackRock Sovereign Liquidity (Euro) Fund | Ireland | OEIC, 52% | 19 |
| Robeco QI Emerging Markets Sustainable Enhanced Index Equities | The Netherlands | SICAV, 100% | 20 |
| ROBECO - PHOENIX CUSTOMIZED MULTI ASSET FUND | The Netherlands | OEIC, 80% | 20 |
| Schroder International Selection Fund Global Diversified Growth | Luxembourg | Unit Trust, 26% | 21 |
| Total Return Credit Fund | Luxembourg | SICAV, 27% | 22 |
| Vanguard Global Short-Term Corporate Bond Index Fund | Ireland | OEIC, 38% | 23 |
| Janus Henderson Global Responsible Managed Fund | England and Wales | OEIC, 29% | 24 |
| The Standard Life Assurance Company of Europe B.V. | The Netherlands | Ordinary Shares, 100% | 25 |
| Global Multi-Factor Equity Fund | England and Wales | Unit Trust, 72% | 26 |
| Liontrust MA Explorer 100 Fund | England and Wales | OEIC, 20% | 27 |
| Ninety One Funds Series i Global Macro Allocation Fund | England and Wales | OEIC, 23% | 28 |
| Aberdeen Real Estate Fund | England and Wales | OEIC, 34% | 4 |

All investments in unit trusts are held in Authorised unit trusts.

***Registered office addresses***

1. 1 George Street, Edinburgh. EH2 2LL.
2. 4 Broadgate, London, England. EC2M 2DA
3. 1 Wythall Green Way, Wythall, Birmingham. B47 6WG.
4. 77 Coleman Street, London, England. EC2R 5BJ.
5. 35a Avenue J.F. Kennedy, L-1855, Luxembourg.
6. Bow Bells House, 1 Bread Street, London. EC2M 9HH
7. Elizabeth House, 9 Castle Steet, St Hellier, Jersey. JE4 9WG.
8. Calton Square, 1 Greenside Row, Edinburgh. EH1 3NA.
9. 70 Sir John Rogerson's Quay, Dublin 2 Ireland.
10. 4$^{th}$ Floor, The Walbrook Building, 25 Walbrook, London. EC4N 8AF.
11. 12 Throgmorton Avenue, London. EC2N 2DL.
12. 160 Queen Victoria Street, London. EC4V 4LA.
13. 201 Bishopsgate, London. EC2M 3AE.
14. Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
15. 32 Molesworth Street, Dublin 2, Dublin. D02 Y512. Ireland.
16. Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands. GY1 6BD.
17. c/o Citco Nederland B.V, Naritaweg, 165 1043 DW Amsterdam, The Netherlands
18. Standard Life House, 30 Lothian Road, Edinburgh. EH1 2DH.
19. 20, re de la Poste, 2346 Luxembourg.
20. rue Eugéne Ruppert 2-4 2453 Luxembourg.
21. 5 Allée Scheffer L-2520 Luxembourg.
22. c/o FundRock Management Company S.A., 33, rue de Gasperich, L-5826 Hesperange, Luxembourg.
23. 70 Sir John Rogerson's Quay, Dublin, Ireland, D02 R296.
24. 1st Floor, 2 Ballsbridge Park, Ballsbridge Dublin 4, Ballsbridge, Dublin, Ireland. D04 YW83.
25. 78 Cannon Street, London, EC4N 6AG.
26. Perpetual Park, Perpetual Park Drive, Henley on Thames, Oxfordshire, England. RG9 1HH.
27. Ropemaker Place, 28 Ropemaker Street, London. EC2Y 9HD.
28. 33 Sir John Rogerson's Quay, Dublin 2, Ireland.
29. Weena 850, 3014 Da Rotterdam, The Netherlands.
30. 5 rue Hoehenhof, L-1736 Senningerberg, Luxembourg.

**41. Ultimate parent and ultimate controlling party**

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