Standard Life Assets and Employee Services Limited

Annual Report and Accounts
for the year ended 31 December 2020

Scotland Registration Number: SC593510

Contents

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties the Company faces.

Strategic report

The Directors present the strategic report, their report and the audited financial statements of Standard Life Assets and Employee Services Limited (the Company) for the year ended 31 December 2020.

The financial statements of the Company have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company was incorporated on 5 April 2018.

Business review

Principal activities

The principal activity of the Company is the provision of management services, including governance and policy administration services, to the life assurance and group companies within the Phoenix Group. This will continue to be the principal activity for the foreseeable future.

The Company also provides support services, under Transitional Service Agreements (TSA), to external parties in respect of operations that previously formed part of the Standard Life Aberdeen plc Group (SLA Group).

Principal risks and uncertainties

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

The key risks to which the Company is exposed are expense risk, liquidity risk, VAT risk, credit risk, operational risk and MSA risk. Further information on risk management can be found in note 22.

Going Concern

In considering whether it is appropriate to prepare the financial statements on a going concern basis the directors have considered the expected future performance and cashflows of the business, including consideration of the impact of the Covid-19 pandemic on the UK life insurance market to which the Company is exposed.

The directors' assessment has been performed by taking into account the impact of severe stress scenarios including unexpected material costs increases and reduction in income on the cashflows of the company. Under these scenarios, which the directors consider to be of very low likelihood the Company can still meet its liabilities as they fall due. The Directors' assessment covered the period up to 31 December 2022.

Therefore the Directors are satisfied that the Company will be able to meet liabilities as they fall due and that it is appropriate to adopt the going concern basis of preparation for the financial statements.

Strategic report (continued)

Covid-19

The Covid-19 pandemic crisis exposes the Company to heightened operational and financial risks. Given the unprecedented nature of this event, there is significant uncertainty as to its long term financial consequences. To mitigate macroeconomic risks, governments throughout the world have promised financial support to the economy at an unprecedented scale.

The temporary social distancing regulations introduced by the governments to counter the wider spread of the pandemic has resulted in widespread closure of offices, schools, restaurants, shops and other social places throughout the world, impacting the Company and its outsourced service providers' ("OSPs") operational capacity.

The Company has considered below the impact the pandemic has had over the operations and business of the Company and its ability to continue in operations. Operational impacts are being carefully managed through the Phoenix Group's business continuity arrangements, including focus on providing home working capability with appropriate controls and prioritising activities to focus on delivery of critical services to customers.

The Company carries the risk that the OSPs used by the Company will no longer be able to provide the agreed services at an agreed cost and under the agreed timeframe. The Company manages this risk through established governance and relationship meetings together with daily updates from key OSPs on their business continuity arrangements. In addition, controls are in place with key OSPs to enable electronic sign off whilst remote working is in place.

Whilst the Company continues to monitor the operational impacts, management consider there are no significant operational issues that impair the Company's ability to continue in operations for the foreseeable future.

The Company had £44.8m of cash and cash equivalents at 31 December 2020. The Company's liquidity position is monitored daily and regular reviews are undertaken to identify cash flow requirements.

Management consider there are no significant financial impacts that impair the Company's ability to continue in operations for up to the period ending 31 December 2022.

Key Performance Indicators ('KPIs')

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

Profit before tax, profit after tax and total comprehensive income
As at 31 December 2020, the Company reported a profit before tax of £5,399k (2019: £3,260k), a profit after tax of £2,940k (2019: £1,954k) and total comprehensive income of £2,915k (2019: £1,965k).

Dividends
During the year, the Company issued dividends amounting to £NIL (2019: £NIL).

Cash flows
Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2020, cash and cash equivalents increased by £31,751k (2019: decrease of £19,048k).

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

Corporate activities

As part of the Groups programme to integrate the Standard Life Assurance business it has extended its operating model across the Group for services provided from the Service Companies to other Group entities. This included a renegotiation of the existing MSA and the implementation of a new, second, MSA between the acquired Service Company and Life Company commencing on 1 January 2020. The introduction of the new MSA transferred expense risk from the Life Company to the Service Company, in line with the existing concepts. The MSAs are priced on a per policy basis based on an end state operating model and policy volume as at 2023 and as such glidepath payments will be received to cover additional expenses over and above the end state.

Strategic report (continued)

Corporate activities (continued)

In 2019, as part of the Groups programme to integrate the Standard Life Assurance business, the Group announced its intention to extend its strategic partnership with Tata Consultancy Services ('TCS') to support the Groups strategic ambition. Heads of Terms underpinning the service on migration of Standard Life policies onto the outsourcer platform was signed in September 2019. In 2019 we had recognised the costs of migration costs over the next 3 years of £72,000k, as at 2020 £15,700k has been utilised against, as at 31 December 2020 a balance of £56,300k remains, these amounts are recoverable from group entities.

In addition to the above, in 2019 year we also recognised a restructuring costs provision relating to severance costs amounting to £80,220k. In the current year the Company has released to the income statement a sum of £30,285k and utilised a further £2,067k the closing balance at the end of the year was £47,868k. A provision in relation to this has been included in note 21.

Stakeholder Engagement

The Board considers the following key stakeholders

Customers

Without our customers the Phoenix Group would not exist. The Group's core purpose is centered on our customers (existing and potential), helping them to secure a life of possibilities. The board has paid due regard to the Group's customers and each paper presented to the Board must include consideration of any impact arising from proposals contained therein on customers.

Colleagues

Our colleagues glue our Group values together, working to achieve our strategic priorities in our pursuit of the Phoenix purpose.

Employment services are provided by the Group's Service Companies. Decisions likely to impact employees within the Phoenix Group are taken by the Board of Phoenix Group Holdings plc and its Board Committees. The Service Companies do not make decisions relating to employee remuneration.

Suppliers

The Group's suppliers, including service providers and partners, are key to our overall success and the achievement of the Group's strategic objectives. The relationships maintained with our suppliers, strategic or otherwise is of vital importance in our drive to achieve the Group's overall purpose. The Service Companies are principal leads on maintaining relationships with suppliers.

Communities

The Group's local communities and community partnerships enable our business to operate in regional areas across Europe. These communities comprise our colleagues, customers, suppliers and many other stakeholders. The Group understands the importance of building trust and inspiring confidence through community engagement and partnerships. The directors of the Company, by virtue of their positions within the Group are engaged with Group wide socially responsible activity. Further information about such activities can be found in the Phoenix Group Holdings plc annual report and accounts.

Government, trade bodies and regulators

Relationships with the Government, trade bodies and regulators is of vital importance, without which we could not provide services for our customers and utilise opportunities for growth. The Company is not regulated by the Financial Conduct Authority but is an Appointed Representative. It can carry out certain activities on behalf of another firm (its principal) that is regulated in the UK or another EEA country.

Section 172 Statement

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

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

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

Strategic report (continued)

Section 172 Statement continued

An example of how the board considered relevant matters set out in section 172 is set out in the table below, demonstrating how the board of Standard Life Assets and Employee Services Limited has carried out its duty under section 172 of the Companies Act 2006.

KEY BOARD DECISION	Approval of the YE19 Annual Report and Accounts
STRATEGIC IMPORTANCE	**CONSIDERATION OF S172 MATTERS**
Managing our capital position	When reviewing the Company's annual report and accounts (including the going concern statement contained therein), the board also considered the long term sustainability of the Company, and the impact of declaring the business as a going concern, by reviewing sensitivity analyses relating to its ability to meet its obligations as they fall due and the bearing of changes made to the Management Services Agreement (to enhance its durability) on the Company in light of its importance in governing the Company's relationship with the Life Companies in the Phoenix Group. When approving the Company's YE19 Annual Report and Accounts, the directors also considered the need to maintain a reputation for high standards of business conduct by producing clear and understandable accounts (including the contents of the strategic report, directors' report and financial statements), approved through robust governance procedures, noting that such information may be relied upon by its stakeholders, in particular the auditors.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the Company's YE19 annual report and accounts.
KEY BOARD DECISION	Approval of Power of Attorney for professional services connected with an Outsourced Service Provider ('OSP')
STRATEGIC IMPORTANCE	**CONSIDERATION OF S172 MATTERS**
	During the year the board considered the appropriateness of approving a Power of Attorney ('POA') enabling a professional service firm to act on behalf of the Company with regard to activities managed by an OSP – specifically mortgage enforcement activities. Prior to approval of the POA, the board considered the desirability to maintain a reputation for high standards of business conduct and, thus, the need to ensure that a robust procurement process had been undertaken when identifying the relevant professional services firm. By ensuring that due diligence had been carried out prior to providing the POA, the board was able to understand any risk to its standards of conduct by enabling a firm to act on its behalf. The board also considered the impact that the POA might have on the Company's relationships with its suppliers and others by ensuring the continued standards detailed above.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the POA.

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

On behalf of the Board

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A Kassimiotis
Director
23 April 2021

Directors' report

Going concern

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties it faces including the potential impact of Covid-19. Note 22 to the financial statements summarise the Company's risk objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (issued April 2017) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared cash flow and solvency forecasts for the Company for the period ending 31 December 2022 and considered the potential impact of the Covid-19 pandemic.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue operating up to the period ending 31 December 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement on business relationships

Business relationships with customers

The Board is provided with regular updates providing visibility of the measures used to determine fairness and customer experience for Lifetime Mortgage customers. The reporting pack covers all key areas of a lifetime mortgage product lifecycle.

Board papers require authors to consider and report on matters which will impact on customers so that these are made explicit when decisions are required.

Business relationships with Partners/Suppliers

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

During the course of 2020 the Board regularly received Material Outsourcer Reports on a variety of issues including the relationship and performance of all strategic partners and the actions being taken by management to address emerging issues.

In addition, the management committees support the Board oversight of the relationships. Supplier oversight is managed through a defined model operated throughout the group.

The "Service Companies" are as follows - Pearl Group Management Services Limited, Pearl Group Services Limited, Standard Life Assets and Employee Services Limited (together the 'Service Companies')

Employee Engagement Statement

Employment services are provided by the Service Companies. Decisions likely to impact employees within the Phoenix Group are taken by the Phoenix Group Holdings plc Board and its Committees.

The Service Companies do not make decisions relating to employee remuneration. Decisions are deferred to the Phoenix Group Holdings Plc Remuneration Committee.

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.

Directors

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

A Kassimiotis
P K Lane - resigned on 28 February 2021
R B F Seaman
R K Thakrar

Secretary

Pearl Group Secretariat Services Limited

Directors' report (*continued*)

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 auditors
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

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

Statement of Corporate Governance Arrangements
The Company's ultimate parent, Phoenix Group Holdings plc is listed on the UK's main market and accordingly complies with the UK Corporate Governance Code 2018 (the 'Code'). The Company does not apply the Code but has established a governance framework which enables the Company to adopt the Wates Corporate Governance Principles for Large Private Companies 2018 (the 'Principles'). The following statement demonstrates how the Company has applied the Principles. This is reviewed and challenged by the Board at least annually.

The Principles	The Company's application of the Principles
Principle One: Purpose and Leadership An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	The Company's purpose, values, strategy and culture are aligned with those of its ultimate parent company, Phoenix Group Holdings plc. The board has worked to support this during the FY 2020.
Principle Two: Board Composition Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The board composition has recently been adjusted to provide a suitable balance of skills, backgrounds, experience and knowledge. The board is an appropriate size given the scale and complexity of the company, particularly as the Company's ultimate parent (Phoenix Group Holdings plc) and the Life Companies Board provide oversight of the Company's activities.
Principle Three: Director Responsibilities The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.	The board has a governance structure in place with clear reporting lines to the Life Companies board. Enhancements to the existing governance framework and structure were developed during the financial year ended 31 December 2020 and such enhancements will continue during the year to 31 December 2021, as appropriate.
Principle Four: Opportunity and Risk A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks	The board has considered opportunities for value creation and preservation in accordance with the risk appetite and long term strategy set by the Life Companies Board and the Company's ultimate parent company board.
Principle Five: Remuneration A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	During the year ended 31 December 2020, the remuneration of directors and senior managers was set and controlled by the Company's ultimate parent, Phoenix Group Holdings plc.
Principle Six: Stakeholder Relationships and Engagement Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Governance structures and reporting lines are in place to enable feedback between the Company and its stakeholders by way of Group wide policies and procedures to engage with the workforce, customers, suppliers, regulators and other key stakeholders.

On behalf of the Board

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A Kassimiotis
Director
23 April 2021

Directors' report *(continued)*

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Opinion

We have audited the financial statements of Standard Life Assets and Employee Services Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- The Company's business model is relatively simple in nature, operating as a service organisation to a Life Company within the Phoenix Group, and generating revenue by recharging underlying expenses it pays on behalf of the Life Company. Management uses an internal Annual Operating Plan (AOP) to support its going concern assessment. Following its preparation, the AOP is subject to Board level review and approval, demonstrating the Boards governance and oversight processes over this document.
- We obtained management's going concern assessment, which considers a period to 31 December 2022. We have assessed and challenged the underlying assumptions used in management's five-year 'AOP and determined that the models are appropriate to enable management to make an assessment. In addition, management has modelled a number of adverse scenarios in their cashflow forecasts in order to incorporate unexpected changes to the forecasted cashflow.
- We have evaluated factors and assumptions included in each scenario within the cashflow forecast, including testing the impact of COVID-19 on each of the forecasted scenarios. We considered the appropriateness of the methods used to calculate the cashflow forecasts and determined through inspection and testing of the methodology and calculations that the methods used were appropriately sophisticated to be able to make an assessment for the Company.
- We considered the mitigating factors included in the cashflow forecasts that management are able to control. This includes review of the non-operating cash outflows and evaluating management's ability to control these outflows as mitigating actions if required.
- We reviewed management's reverse stress testing in order to identify which factors could lead to the Company using up all its liquidity.

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

We observed that the Company's operations have not been significantly impacted by COVID-19 from a revenue or profitability perspective, due to the nature of the entity being a service Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period up until 31 December 2022.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards and the Companies Act 2006) and the relevant direct tax regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, employees, anti-bribery and corruption and General Data Protection Regulation ('GDPR').

- We understood how the Company is complying with those frameworks by making enquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of internal control and by assuming accounting provisions to be fraud risks.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved use of data analytics into our testing of manual journals, including segregation of duties. We tested specific transactions back to source documentation, ensuring appropriate authorisation of those transactions.

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

Use of our report

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

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Ernst & Young LLP.
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April 23, 2021 | 12:12:01 BST

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

Statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue			
Fees and commission	3	353,869	571,366
Net investment income		35	93
Total revenue		353,904	571,429
Total income		353,904	571,429
Administrative expenses	4	(346,794)	(565,842)
Finance costs	8	(1,711)	(2,327)
Total administrative expenses		(348,505)	(568,169)
Profit for the year before tax		5,399	3,260
Tax charge	9	(2,459)	(1,306)
Profit for the year attributable to owners		2,940	1,954
Other comprehensive income:			
Exchange differences on translating foreign operations		(25)	11
Total comprehensive income for the year attributable to owners		**2,915**	**1,965**

Statement of financial position as at 31 December 2020

	Notes	As at 31 December 2020 £000	As at 31 December 2019 £000
Assets			
Intangible assets	10	5,556	13,777
Property, plant and equipment	11	69,379	74,160
Deferred tax assets	12	1,628	892
Other receivables	13	139,801	197,620
Other assets	14	18,099	11,550
Cash and cash equivalents	15	44,788	12,846
Total assets		**279,251**	**310,845**
Equity			
Share capital	16	5,000	5,000
Other reserves	17	(1,296)	(1,271)
Retained earnings		5,033	1,742
Total equity		**8,737**	**5,471**
Liabilities			
Current tax liability	12	46	11
Other financial liabilities	18	143,118	144,084
Lease liabilities	19	52,893	58,300
Other liabilities	20	5,234	9,553
Provisions	21	69,223	93,426
Total liabilities		270,514	305,374
Total equity and liabilities		**279,251**	**310,845**

The financial statements on pages 11 to 36 were approved by the Board of Directors on 23 April 2021 and signed on its behalf by

On behalf of the Board

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A Kassimiotis
Director

23 April 2021

Statement of cash flows
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated by operations	23	46,591	41,949
Taxation paid		(282)	(683)
Net cash flows from operating activities		**46,309**	**41,266**
Cash flows from investing activities			
Purchase of intangible assets		-	(44)
Purchase of property, plant and equipment	11	(7,667)	(6,542)
Proceeds from sale of property, plant and equipment		355	-
Net cash flows from investing activities		**(7,312)**	**(6,586)**
Cash flows from financing activities			
Repayment of loans from parent		-	(46,000)
Payment of lease liability	19	(7,110)	(7,104)
Interest paid on loans		(136)	(624)
Net cash flows from financing activities		**(7,246)**	**(53,728)**
Net increase in cash and cash equivalents		31,751	(19,048)
Cash and cash equivalents at the beginning of the year		12,846	32,038
Effect on foreign exchange rate changes on cash and cash equivalents		191	(144)
Cash and cash equivalents at the end of the year	15	**44,788**	**12,846**

Supplementary disclosures on cash flow from financing activities

	2020 £000	2019 £000
Interest received	35	93

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

	Note	Share capital (note 16) £000	Retained earnings £000	Other reserves (note 17) £000	**Total £000**
At 1 January 2020		5,000	1,742	(1,271)	**5,471**
Profit for the year		-	2,940	-	**2,940**
Other comprehensive income for the year		-	-	(25)	**(25)**
Dividends Paid		-	-	-	**-**
Current tax credit on share schemes		-	-	-	**-**
Total comprehensive income for the year		-	2,940	(25)	**2,915**
Deferred tax credit on share schemes	12	-	351	-	**351**
At 31 December 2020		5,000	5,033	(1,296)	**8,737**

	Note	Share capital (note 16) £000	Retained earnings £000	Other reserves (note 17) £000	**Total £000**
At 1 January 2019		5,000	(272)	(1,284)	**3,444**
Profit for the year		-	1,954	-	**1,954**
Other comprehensive income for the year		-	-	11	**11**
Total comprehensive income for the year		-	1,954	11	**1,965**
Reclassification		-	(2)	2	**-**
Deferred tax credit on share schemes	12	-	62	-	**62**
At 31 December 2019		5,000	1,742	(1,271)	**5,471**

Distributable reserves amount to £3,967k and this includes Retained Earnings of £5,033k and other reserves of (£1,066k).

1. Accounting policies

(a) Basis of preparation

The financial statements for the year ended 31 December 2020, set out on pages 11 to 36, were authorised by the Board of Directors for issue on 23 April 2021.

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

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

The financial statements are standalone financial statements and the exemption in paragraph 4 of IFRS 10 *Consolidated Financial Statements* and section 401 of the Companies Act 2006, have been used not to present consolidated financial statements. The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings Plc, a company incorporated in England and Wales.

The Directors have followed the UK Financial Reporting Council's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (issued April 2017) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors considered the possible impacts of the Covid-19 pandemic on the operational capacity and liquidity of the Company for a period up to 31 December 2022. The liquidity assessment considered the ability to meet liabilities as they fall due under a base case and a severe stress scenario.

As a result of this review, the Directors believe the Company has adequate resources to continue to meet liabilities as they fall due up to the period 31 December 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

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

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

(b) Changes to accounting policies

All accounting policies applied in these financial statements is the same as those applied in the last annual financial statements.

A number of new standards are effective from 1 January 2020 but they do not have a material effect on The Company's financial Statements.

(c) Critical accounting estimates and judgements

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are income taxes, recognition of provisions, Assets whose carrying value is subject to impairment testing, impairment of financial assets and share-based payments.

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 more likely than not that there will be suitable taxable profits against which the losses can be relieved. The UK taxation regime applies separate rules to trading and capital profits and losses. The distinction between temporary differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets. The accounting policy for income taxes (both current and deferred taxes) is discussed in more detail in accounting policy (n).

1. Accounting policies continued

(c) Critical accounting estimates and judgements (continued)

Provisions
The accounting policy for provisions is discussed in accounting policy (s).

Fair value of financial assets
The accounting policy for fair value of financial assets is discussed in accounting policy (k).

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

Share-based payments
The accounting policy for share-based payments is discussed in accounting policy (p).

Assets whose carrying value is subject to impairment testing
Determination of the recoverable amount is a critical accounting estimate in relation to the impairment of non-financial assets. These assets are subject to impairment reviews where indicators of impairment are identified. Impairments of non-financial assets are measured at the difference between the carrying value of the particular asset and its estimated recoverable amount. Impairments are recognised in the statement of comprehensive income in the period in which they occur. The accounting policy is discussed in accounting policy (h), (i) and (l).

(d) Foreign currency translation

The financial statements are presented in thousands pounds Sterling, which is the Company's functional and presentation currency.

The statement of financial position of the Company's Irish branch, which has a different functional currency than the Company's presentational currency is translated into the presentation currency at the year/period-end exchange rates and the income statement and cash flows are translated at average exchange for the year/period. All resulting exchange differences are recognised in the statement of comprehensive income and the foreign currency translation reserve in equity.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Income recognition

Revenue from contracts with customers

Revenue represents amounts charged to customers in respect of the provision of use of physical infrastructure and associated support services. The Company incurs expenses on behalf of other Phoenix Group companies and are recharged the cost in the month that the expenses are incurred. Revenue from third party customers are recognised in the month that the services are provided. .

Revenue from contracts with customers is stated net of value added tax.

From 1 January 2020: Fee and commission income

Following the commencement of the Master Services Agreement (MSA) on 1 January 2020 ***f***ee and commission income now relates to the following:

- policy administration fees, which are recognised as the services are provided;
- Project fees
- Passthrough fees
- Corporate fees
- other fees, which are recognised as the services are provided.

Net investment income
Net investment income comprises interest on cash and cash equivalents.

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

1. Accounting policies continued

(f) Administrative expenses

Administrative expenses are recognised on an accruals basis.

(g) Finance costs

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

(h) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, at least at each reporting date. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets which have been impaired are reviewed for possible reversal of impairment losses at each reporting date.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

(i) Intangible assets

Intangible assets, including internally developed software and software purchased from third parties, are recognised in the statement of financial position if it is probable that the relevant future economic benefits attributable to the assets will flow to the Company and their cost can be measured reliably and are either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or they arise from contractual or other legal rights, regardless of whether those rights are transferable or separable.

Intangible assets are assessed for impairment at each reporting date. An assessment is made as to whether there is an indication that the intangible asset has become impaired. If such an indication of impairment exists then the asset's recoverable amount is estimated. Irrespective of whether there is any indication of impairment, for intangible assets that are not yet available for use the recoverable amount is estimated each year at the same time. If the carrying value of an intangible asset exceeds its recoverable amount then the carrying value is written down to the recoverable amount.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of between 3 and 10 years of the intangible asset. Impairment losses are calculated and recorded on an individual basis in a manner consistent with accounting policy (j). Amortisation commences at the time from which an intangible asset is available for use.

The Company also recognises as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing our business. Costs to develop software internally are capitalised after the research phase and when it has been established that the project is technically feasible and the Company has both the intention and ability to use the completed asset.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Cost includes the original purchase price of the assets and the costs attributable to bring the asset to its working condition for its intended use. Depreciation on property, plant and equipment is charged to the income statement using the straight-line basis over the following estimated useful lives:

As of 1 January 2020:

Right of use asset	2 – 13 years based on lease term
Tenant's improvements	5 – 15 years
Computer hardware	2 – 6 years
Furniture and fittings	2 – 10 years
Machinery and equipment	4 – 15 years

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.

1. Accounting policies continued

(k) Financial instruments

Classification of Financial assets
Financial assets are measured at amortised cost where they have:

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

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Financial assets measured at amortised cost are included in Note 13 Other receivables and Note 15 Cash and cash equivalents.

(l) Impairment of financial assets

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

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss (ECL). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs. See Note 22 for detail of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

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

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

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

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

(m) Cash and cash equivalents

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

(n) Income tax

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

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

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

1. Accounting policies continued

n) Income tax continued

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.

(o) Employee benefits

Defined contribution plans
For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans. The contributions are recognised in staff costs and other employee-related costs when they are due.

The Company has operated a defined contribution plans where the Company agreed to contribute to a member's pension plans but has no further payment obligations once the contributions have been paid.

(p) Expense recognition

Share-based payments
Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

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

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

(q) Equity - share capital

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

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

(r) Leases

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

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

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

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

1. Accounting policies continued

(r) Leases continued

Under IFRS 16 an exemption permits that right-of-use assets and lease liabilities do not need to be recognised in respect of short term leases of property that have a lease term of 12 months or less or for leases of low value assets, including IT equipment. The Company has applied this exemption and recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities are presented as a separate line item and right-of-use assets are presented within 'property, plant and equipment' in the statement of consolidated financial position.

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

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

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

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

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(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 as a result of a past event but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

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

(t) Business combinations outside the scope of IFRS 3 *Business Combinations*

The Company accounts for business combinations that involve other entities in the Phoenix Group and are outside the scope of IFRS 3 *Business Combinations* using merger accounting principles. Under the principles of merger accounting assets and liabilities transferred to a new entity are recorded in the new entity at the carrying value they were measured at by the transferor. No goodwill is recognised as a result of such transactions. The difference between the acquired net assets and the consideration paid is recognised directly in equity (see note 17).

2. Financial information

The financial statements for the year ended 31 December 2020, set out on pages 11 to 36 were authorised by the Board of Directors for issue on 23 April 2021.

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

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

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

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (1 January 2022): The amendments specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are not expected to have a significant impact on the Company.
- Annual Improvements Cycle 2018 – 2020 (1 January 2022): Minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. These amendments do not currently have any impact on the Company.
- Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (2023). The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

The following amendments to standards listed above have been endorsed by the EU.

- Amendment to IFRS 16 Leases Covid-19-Related Rent Concession

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

3. Fees and commission

	2020 £'000	2019 £'000
Policy administration fees	195,906	-
Project fees	63,434	-
Pass Through fees	57,552	-
Restructuring recharges	(30,285)	-
Corporate fees	26,173	-
Other fees	41,089	-
Provision of use of physical infrastructure and support services	-	571,336
Total fees and commission	**353,869**	**571,336**

The 2020 restructuring recharges represents the release of unused amounts of the restructuring provision which was reassessed at year end. The accrued income was recognosed in the 2019 year which amounted to £80,220k this is included within provision of use of physical infrastructure and support services in 2019 year.

Fees and commission commission comparatives differ in 2020 year due to implementation of the MSA on 1 January 2020.

4. Administrative expenses

	Notes	2020 £'000	2019 £'000
Employee costs	5	193,561	181,644
Auditors' remuneration	7	85	85
Operating lease rentals		726	864
Amortisation of intangible assets	10	8,221	11,184
Depreciation of property, plant and equipment	11	12,271	15,517
Profit and loss on disposal	11	(31)	-
Change in provisions	21	8,149	86,925
Foreign exchange differences		(125)	43
Restructing costs		(30,105)	76,963
Contractor and other staff related costs		58,156	65,908
IT and communication costs		64,039	81,036
Legal and professional fees		-	29,094
Rent, rates and insurance		-	7,473
Travel and accomodation		-	5,594
Other admin expenses		31,847	3,512
Total administrative expenses		**346,794**	**565,842**

Restructuring costs relate primarily to the transition and transformation programme undertaken by the Phoenix Group following the acquisition of the SLAL Group.

In 2019, restructuring costs relate to the restructuring provision recognised during the year see Note 21. In the 2020 year the unused amounts of the provision has been released amounting to £30,285k.

Staff costs and overheads are allocated between the Company, PGMS and SLAESL, fellow subsidiaries.

In the 2020 year the costs for legal and professional fees, rent, rates and insurance, travel and accommodation are now included within Other admin expenses, this is in order to be in line with PGS and PGMS, fellow subsidiaries and service companies.

5. Employee costs

	Notes	2020 £'000	2019 £'000
Aggregate remuneration payable in respect of employees:			
Wages and salaries		154,710	147,105
Social security costs		18,106	15,131
Defined contribution scheme		18,347	17,926
Employee share- based payments		2,398	1,482
Total staff costs and other employee related costs	4	**193,561**	**181,644**

The employees of the Company and other companies within the Phoenix Group are members of defined contribution pension schemes operated by Phoenix for its employees in the United Kingdom and the Republic of Ireland. Contributions to defined contribution plans were expensed when employees had rendered services in exchange for such contributions, generally in the year of contribution.

	2020	2019
The average number of staff employed by the Company during the year:		
UK	2,897	2,817
Europe	342	354
Total average number of staff employed	**3,239**	**3,171**

6. Directors Remuneration

	2020 £000	2019 £000
Salaries and other short term benefits	241	363
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes))	**241**	**363**

Contributions to money purchase pension schemes	14	-

	2020	2019
Number of Directors who:		
- are members of a money purchase pension scheme	4	5
- have exercised share options during the year	3	5

	2020 £000	2019 £000
Highest paid Director's remuneration	**93**	**93**
Contributions to money purchase pension schemes	-	--

The highest paid director has exercised share options during the year. The Directors are employed by either the Company or PGMS or PGS, fellow subsidiarys. The total compensation paid to the Directors of the Company relates to services to the Company, regardless of which entity within the Phoenix Group has paid the compensation.

The Non-Executive Directors are not employed but provide their services via a letter of appointment. For the purpose of this note an apportionment of the total remuneration paid to the Directors of the Company by Standard Life Assurance Limited has been based on an estimate of the services rendered to the Company.

During the year to 31 December 2020 key management personnel and their close family members contributed £37,000 to pensions and savings products sold by the Group.

At 31 December 2020, the total value of key management personnel's investments in Group pensions and savings products was £825,000.

7. Auditors' remuneration

Auditors' remuneration amounted to £85k (2019: £85k) in respect of the audit of the Company's financial statements.

8. Finance costs

	Notes	2020 £'000	2019 £'000
Interest expense:			
Lease liabilities	19	1,565	1,703
Negative interest income		10	-
Loan from parent at amortised cost	25	136	624
Total finance costs		**1,711**	**2,327**

9. Tax (credit) / charge

(a) Current year tax expense

	2020 £'000	2019 £'000
Current tax:		
United Kingdom	1,892	1,659
Overseas	295	184
Adjustment in respect of prior periods	657	72
Total current tax	**2,844**	**1,915**
Deferred tax:		
Origination and reversal of temporary differences	(406)	(620)
Change in rate of UK Corporation Tax	(85)	73
Adjustment in respect of prior periods	106	(62)
Total deferred tax	**(385)**	**(609))**
Total tax expense	**2,459**	**1,306**

(b) Reconciliation of tax expense

	2020 £'000	2019 £'000
Profit/(loss) before tax	**5,399**	**3,260**
Tax charge/(credit) at 19%	1,026	619
Permanent differences	752	604
Adjusted in respect of prior periods	766	10
Changes in UK tax rates	(85)	73
Total tax expense for the year	**2,459**	**1,306**

10. Intangible assets

	Notes	Internally developed software £'000	Acquired software £'000	Total £'000
Cost				
At 1 January 2020		**28,198**	**1,115**	**29,313**
At 31 December 2020		**28,198**	**1,115**	**29,313**
Accumulated amortisation				
At January 2020		(14,965)	(571)	(15,536)
Amortisation charge for the year	4	(7,906)	(315)	(8,221)
At 31 December 2020		**(22,871)**	**(886)**	**(23,757)**
Carrying amount				
At 1 January 2020		**13,233**	**544**	**13,777**
At 31 December 2020		**5,327**	**229**	**5,556**

11. Property, plant and equipment

	Notes	Right of use asset £'000	Tenant's improvements £'000	Computer hardware £'000	Furniture and fittings £'000	Machinery and equipment £'000	Total £'000
Cost							
At 1 January 2020		63,667	10,650	12,310	1,551	3,548	91,726
Additions		-	2,855	4,738	74	-	7,667
Disposals		-	-	(1,116)	-	-	(1,116)
Foreign exchange adjustment		207	76	-	-	-	283
At 31 December 2020		**63,874**	**13,581**	**15,932**	**1,625**	**3,548**	**98,560**
Accumulated depreciation							
At 1 January 2020		(6,170)	(4,328)	(5,506)	(557)	(1,005)	(17,566)
Depreciation charge for the year	4	(6,209)	(1,105)	(3,879)	(322)	(756)	(12,271)
Elimination on disposal		-	-	793	-	-	793
Foreign exchange adjustment		(72)	(65)	-	-	-	(137)
At 31 December 2020		**(12,451)**	**(5,498)**	**(8,592)**	**(879)**	**(1,761)**	**(29,181)**
Carrying amount							
At 1 January 2019		**57,497**	**6,322**	**6,804**	**994**	**2,543**	**74,160**
At 31 December 2020		**51,423**	**8,083**	**7,340**	**746**	**1,787**	**69,379**

12. Tax assets and liabilities

	2020 £'000	2019 £'000
Deferred tax assets	1,628	892
Total tax assets	**1,628**	**892**
Current tax liabilities	46	11
Total tax liabilities	**46**	**11**

There are no current tax assets or liabilities expected to be recoverable or payable after more than 12 months (2019: £nil).

(a) Current tax

	2020 £'000	2019 £'000
UK	-	-
Overseas	46	11
Current tax payable	**46**	**11**

(b) Deferred tax

	2020 £'000	2019 £'000
Deferred tax assets comprise:		
Timing differences on property, plant and equipment	746	574
Employee benefits	724	214
Provisions and other timing differences	158	104
Total deferred tax assets	**1,628**	**892**
Movements in deferred tax assets comprise:		
At January	892	221
Amounts recognised in the income statement	385	609
Amounts recognised in equity	351	62
At 31 December	**1,628**	**892**

The standard rate of UK corporation tax for the accounting period is 19% (2019: 19%).

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

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

13. Other receiveables

	Notes	2020 £'000	2019 £'000
Amounts due from related parties	25	139,167	197,341
Loans to employees		15	227
Other		619	52
Total receivables and other financial assets		**139,801**	**197,620**

All receivables and other financial assets are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to receivables and other financial assets. Payment terms are between 30 and 90 days and the Company has established loss rate of 0% as there have been zero losses or impairment balances since it began trading. Therefore, no loss allowance of impairment provision has been recognised.

14. Other assets

	2020 £'000	2019 £'000
Prepayments	17,430	11,550
Group Relief	669	-
Total other assets	**18,099**	**11,550**

All other assets are interest free and expected to be settled within 12 months.

15. Cash and cash equivalents

Cash and cash equivalents of £44,788k (2018 £12,846k) comprises cash held at bank and is interest bearing.

16. Share capital

The allotted, issued and paid up share capital of the Company at the 31 December 2020 was:

	2020 and 2019	
	Number	**£'000**
Ordinary shares at £1 each:	5,000,001	5,000
Total	**5,000,001**	**5,000**

17. Other reserves

Included within other reserves is a merger reserve of £1,284k (2019: £1,284k) recognised in accordance with accounting policy (t).

In addittion, included within other reserves is a foreign exchange reserve loss amounting to £25k (2019:11k gain) recognised on translation of the Company's Irish branch, that provides services to Standard Life International Designated Activity Company.

18. Other financial liabilities

	Notes	2020 £'000	2019 £'000
Amounts payables to suppliers		5,808	4,082
Amounts due to related parties	25	69,447	75,918
Accruals		67,863	63,194
Other		-	890
Total other financial liabilities		**143,118**	**144,084**

Other financial liabilities are interest free and expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the end of the year.

19. Lease liabilities

	2020 £'000	2019 £'000
As at 1 January	58,300	63,821
Additions	48	13
Interest on lease liabilities	1,565	1,703
Lease payments	(7,110)	(7,104)
Foreign exchange adjustment	90	(133)
Lease liabilities as at 31 December	**52,893**	**58,300**

Lease liabilities primarily relate to property leases in respect of Standard Life House, Edinburgh and Glenogle Road Edinburgh. Both properties are currently occupied by the Phoenix Group. Both leases expire in July 2031 and include 10 year extension clauses. The Glenogle Road lease also includes a break clause in July 2021. Lease liabilities of £46,288k are due after 12 months.

The Company has elected not to apply the measurement requirements of IFRS 16 to its low value leases and as such costs of these leases are recognised on a straight-line basis as expense within administrative expenses. The expense for the year was £775k.

19. Lease liabilities *continued*

The principal cash outflow for leases for the year ended 31 December 2020 is £5,545K (2019 £5,401K) and interest amounted to £1,565k (2019: £1,703k).

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

	2020 £'000	2019 £'000
Not later than 1 year	6,777	7,060
Later than 1 year and not more than 5 years	28,717	24,312
Later than 5 years	24,983	36,087
Total contractual undiscounted lease payments	60,477	**67,459**

20. Other liabilities

	Notes	2020 £'000	2019 £'000
Group relief	25	-	1,659
VAT payable		53	2,474
Other		5,181	5,420
Total other liabilities		**5,234**	**9,553**

Other liabilities are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the end of the year. No interest is applied to other liabilities.

21. Provisions

The movement in provisions during the year was as follows:

	Transition and transformation £'000	VAT £'000	Dilapidations £'000	Total £'000
At 1 January 2020	**80,220**	**7,350**	**5,856**	93,426
Additions in the year:	-	8,073	-	8,073
Unused amounts reversed	(30,285)	-	-	(30,285)
Amounts used in the year	(2,067)	-	-	(2,067)
FX adjustment	-	-	76	76
At 31 December 2020	**47,868**	**15,423**	**5,932**	**69,223**

Following the acquisition by the Phoenix Group in August 2018, the Phoenix Group established a transition and transformation programme which aims to deliver the integration of the Phoenix Group's operating models via a series of phases. During the year, the Phoenix Group announced its intention to extend its strategic partnership with TCS to provide customer servicing, to develop a digital platform and for migration of existing Standard Life policies to this platform by 2022 which raised a valid expectation of the impacts in those likely to be affected. In 2019, it was envisaged that £80,220k of costs will be incurred by the Company over a 3 year period and will include migration costs, severance costs and other expenses. This provision was reassessed at year end and unused amounts were released amounting to £30,285k with utilisation of £2,067k the provision now stands at £47,868k. Migration costs payable to TCS are subject to limited uncertainty as they are fixed under the terms of the agreement entered into. The severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected.

Phoenix are in negotiations with HMRC with regard to changes to the Partial Exemption Special Method (PESM) necessitated by the addition of the Standard Life entities to the VAT group. The provision reflects the fact that whilst Phoenix considers its proposal for the recovery of VAT on costs incurred by SLAESL to be fair and reasonable, the revised PESM remains to be agreed and HMRC may take a different view.

22. Risk management

Risk management

Liquidity risk

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

Management has considered the impact of Covid-19 on the Company's liquidity risk, which continues to be deminimis, since the Company hold its funds in highly liquid, readily available cash funds which exposed to only minimal changes in value. 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.

Expense risk

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

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

VAT risk

Decisions of the Court of Justice of the European Union ("CJEU") meant that VAT would have likely become due on certain Outsourcer fees, such as claims handling/policy administrations services, in the absence of the UK's decision to leave the European Union ("EU"). This would give rise to additional expenses for the business.

After 31 December 2020 UK courts can now depart from judgements of the CJEU and it is felt unlikely that VAT will now be imposed on Outsourcer fees on the basis of EU case law. The risk cannot be said to have subsided completely, however, as the UK Government could legislate to impose VAT unilaterally, although no Government in recent times has indicated any wish to restrict the relevant VAT exemption in accordance with the CJEU judgements.

Credit risk

The table below details the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades. Management has considered the impact of Covid-19 on the credit quality of the Company's financial assets and has concluded that the credit risk rating grades below are not impacted.

Credit risk management practices

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

Category	**Description**	**Basis for recognising ECL**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

22. Risk management (continued)

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

31 December 2020	Notes	External credit rating	Internal credit rating	12 month ECL or lifetime ECL?	Gross carrying amount £'000	Loss Allowance £'000	Net carrying amount £'000
Receivables and other financial assets							
Due from related parties	13	N/A	Performing	Lifetime ECL[1]	140,213	(1,046)	139,167
Loans to employees	13	N/A	Performing	Lifetime ECL[1]	15	-	15
Other	13	N/A	Performing	Lifetime ECL[1]	619	-	619
					140,847	**(1,046)**	**139,801**
Cash and cash equivalents:	15	A	N/A	12m ECL	44,788	-	44,788
					44,788	**-**	**44,788**
Total					**185,635**	**(1,046)**	**184,589**

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

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

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

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

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

Operational risk

The temporary social distancing regulations introduced by governments to counter the wider spread of the Covid-19 pandemic has resulted in widespread closure of offices, schools, restaurants, shops and other social places throughout the world, impacting the Company and its outsourced service providers' ("OSPs") operational capacity.

This is being carefully managed by the Phoenix Group through initiation of business continuity arrangements, including focus on providing home working capability with appropriate controls and prioritising activities to focus on delivery of critical services to customers.

Master Services Agreement risks

The Company will face the following risk as a result of the new MSA Agreement commencing on 1 January 2020;

Direct Expense Synergies Glidepath
Upon commencement of the MSA on 1st January 2020, there was be a gap between The Company's income and expenses until expense synergies have been fully achieved. The final expense synergies will not be achieved until the end of 2022, and as a result to mitigate this risk a series of 'glidepath' payments have been included within the MSA.

23. Statement of cash flows

The table below provides further analysis of the balances in the statement of cash flows.

(a) Cash generated by operations

	Notes	2020 £'000	2019 £'000
Profit before tax		**5,399**	**3,260**
Non-cash movements in profit before tax:			
Amortisation of intangible assets	4	8,221	11,184
Depreciation property and equipment	11	12,271	15,517
Change in provision	21	(24,203)	86,925
Share-based payment expense	24	2,398	1,482
Foreign exchange on translation of foreign operation		(25)	11
Finance costs	8	1,701	2,327
Adjustment for other non-cash movements		11,065	19,056
Net increase in operating assets and liabilities			
Net increase in financial and other assets		44,505	(161,590)
Net increase in financial and other liabilities		(14,741)	63,777
Net increase in financial and other assets		29,764	(97,813)
Cash generated by operations		**46,591**	**41,949**

24. Employee share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

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

Share-based payment expense

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

	Notes	**2020 £'000**	**2019 £'000**
Expense arising from equity-settled share-based payment transactions	5	2,398	1,482

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

(i) Long-Term Incentive Plan (LTIP)

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

Assuming no good leavers or other events which would trigger early vesting rights, the 2018 and 2019 LTIP awards are subject to performance conditions tied to the Company's performance in respect of cumulative cash generation, return on Adjusted Shareholder Solvency II Own Funds and Total Shareholder Return ('TSR'). The 2020 LTIP awards are subject to performance conditions tied to the Company's performance in respect of net operating cash receipts, return on shareholder value, persistency and TSR.

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

2020 LTIP awards were granted on 13 March 2020 and are expected to vest on 13 March 2023. The 2017 LTIP awards vested on 24 March 2020. The 2018 awards will vest on 21 March 2021 and the 2019 awards will vest on 11 March 2022. The number of shares for all outstanding LTIP awards was increased in July 2018 to take account of the impact of the 2018 Group rights issue.

The fair value of these awards is estimated at the average share price in the three days preceding the date of grant , taking into account the terms and conditions upon which the instruments were granted. The fair value of the 2018, 2019 and 2020 LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a 'market condition'. The fair value of the 2018, 2019 and 2020 TSR elements of the LTIP awards has been calculated using a Monte Carlo model.

The inputs to this model are shown below:

	2020 TSR performance condition	2019 TSR performance condition	2018 TSR performance condition - March grant
Share price (£)	5.86	6.94	7.10
Expected term (years)	3.0	3.0	3.0
Expected volatility (%)	20	20	20
Risk-free interest rate (%)	0.28	0.74	0.96
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required.		

LTIP Buy Out awards were granted to the Group Chief Executive Officer in 2019, and finalised in 2020, following forfeiture of a proportion of his long-term incentive awards held with Aviva that had been awarded in March 2017 and May 2018. The Aviva March 2017 LTIP vested on 27 March 2020 with a performance outturn of 50%. The Aviva May 2018 LTIP is due to vest on 26 March 2021.
On 14 August 2020, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2018, 2019 and 2020 LTIP awards.

24. Employee share-based payments *continued*

Long-Term Incentive Plan (LTIP) (continued)
On 21 December 2018 LTIP awards were granted to certain employees under the terms of the new PGH plc scheme rules. There are discreet vesting periods for these awards and the second tranche of awards vested on 27 March 2020. The remaining awards vest on 28 March 2021. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period.

Each year, the Group issues a Chairman's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. On 13 March 2020, awards were granted and are expected to vest on 13 March 2023. The 2017 awards vested on 24 March 2020. The 2018 and 2019 awards are expected to vest on 21 March 2021 and 11 March 2022 respectively. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum performance grading. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting.

Deferred Bonus Share Scheme ('DBSS')

Each year, part of the annual incentive for certain executives is deferred into shares of the parent company. The grant of these shares is conditional on the employee remaining in employment with the Group for a period of three years from the date of grant. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting. Dividends will accrue for DBSS awards over the three year deferral period. The number of shares for all outstanding DBSS awards was increased in July 2018 to take account of the impact of the 2018 Group rights issue.

The 2020 DBSS was granted on 13 March 2020 and is expected to vest on 13 March 2023. The 2017 DBSS awards vested during the year. The 2018 awards are expected to vest on 15 March 2021 and the 2019 awards are expected to vest on 11 March 2022.

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

Share save scheme

The sharesave scheme allows participating employees to save up to £500 each month for the UK scheme and up to €500 per month for the Irish scheme over a period of either three or five years. The 2020 sharesave options were granted on 8 April 2020.

Under the sharesave arrangement, participants remaining in the Group's employment at the end of the three or five year saving period are entitled to use their savings to purchase shares at an exercise price at a discount to the share price on the date of grant. Employees leaving the Group for certain reasons are able to use their savings to purchase shares if they leave less than six months before the end of their three or five year periods.

Following the scheme of arrangement, participants in the Old PGH sharesave plan exchanged their options over Old PGH shares for equivalent options over PGH plc ordinary shares. All sharesave options were increased in November 2016 and again in July 2018 following the Group's rights issues and the exercise price of these awards was also amended as a result of these issues.

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

The following information was relevant in the determination of the fair value of the 2016 to 2020 UK sharesave options:

	2020 sharesave	2019 sharesave	2018 sharesave	2017 sharesave	2016 sharesave
Share price (£)	5.66	6.80	7.69	7.47	8.89
Exercise price (£) (revised)	4.97	5.61	5.63	5.67	5.75
Expected life (years)	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25
Risk-free rate (%) based on UK Government Gilts commensurate with the expected term of the award	0.5 (for 3.25 year scheme) and 0.5 (for 5.25 year scheme	1.0 (for 3.25 year scheme) and 1.1 (for 5.25 year scheme	1.0 (for 3.25 year scheme) and 1.1 (for 5.25 year scheme	0.2 (for 3.25 year scheme) and 0.4 (for 5.25 year scheme)	0.6 (for 3.25 year scheme) and 1.0 (for 5.25 year scheme)
Expected volatility (%) based on the share price volatility to date	30.0	30.0	30.0	30.0	30.0
Dividend yield (%)	8.2	6.8	6.5	6.3	6.0

24. Employee share-based payments *continued*

Share save scheme (continued)

The information for determining the fair value of the 2020 Irish sharesave options differed from that included in the table above as follows:

- share price (€): 6.462
- Exercise price (€) 5.65
- Risk-free rate (%): (0.3) (for 3.25 year scheme) and (0.2) (for 5.25 year scheme).

Share Incentive Plan

The Group operates two share Incentive Plan ('SIP') open to UK and Irish employees which allows participating employees to purchase 'Partnership shares' in the Company through monthly contributions. In respect of the UK SIP, the contributions are limited to the lower of £150 per month and 10% gross monthly salary. In 2019 the matching element of the UK SIP was amended to give the employee one 'Matching share' for each 'Partnership share' purchased limited to £50. Contributions above £50 are not matched. The Irish SIP, which was launched in 2019, gives the employee 1.4 'Matching shares' for each 'Partnership share' purchased. For this plan monthly contributions are limited to the lower of €40 per month and 7.5% of gross monthly salary.

The fair value of the Matching shares granted is estimated as the share price at date of grant, taking into account terms and conditions upon which the instruments were granted. At 31 December 2020, 24,555 matching shares (including unrestricted shares) were conditionally awarded to employees (2019: 128,665).

Movements in the year

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

	LTIP Schemes	SAYE Schemes	Deferred BSP
Outstanding at 1 January 2020	516,692	1,113,531	23,572
Correction to opening balances*	(79,421)	(78,624)	
Granted during the year	398,800	993,438	114,197
Forfeited/cancelled during the year	(41,415)	(344,071)	-
Exercised during the year	(39,696)	(12,958)	-
Outstanding at 31 December 2020	**754,960**	**1,671,316**	**137,769**
Outstanding at 1 January 2019	162,321	-	-
Granted during the year	380,973	1,161,540	23,572
Forfeited during the year	(22,144)	(47,996)	-
Exercised during the year	(4,458)	(13)	-
Outstanding at 31 December 2019	**516,692**	**1,113,531**	**23,572**

The weighted average fair value of options granted during the year was £2.53 (2019: £4.10). The weighted average share price at the date of exercise for the rewards exercised is £6.35 (2019: £6.81). The weighted average remaining contractual life for the rewards outstanding as at 31 December 2020 is 4.7 years (2019: 5 years).

*The correction to opening balance in above table relates to the removal of the Standard Life Ireland balances which were included in the SLAESL opening numbers.

25. Related party transactions

(a) Transactions with related parties

The following are details of significant transactions with related parties (including fellow subsidiaries of the Group) during the period:

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

The Company provides management services to fellow subsidiaries within the Phoenix Group, in the form of staff and other services, under management services agreements. The income received by the Company for the year ended 31 December 2020 amounted to £359,926,000 (2019: £571,336,000).

		2020 £'000	2019 £'000
Fees and commission			
Ultimate parent		(31,358)	162,128
Parent company		279,134	291,546
Fellow subsidiaries		40,992	51,515
Other related parties		71,158	66,147
		359,926	**571,336**
Expenses			
Ultimate parent		-	-
Parent company	8	136	624
Fellow subsidiaries		83	4,230
Other related parties		8,000	6,241
		8,219	**11,095**

SLA is considered to have a significant influence over the Company due to their equity stake and representation on the Board of Phoenix Group Holdings plc. To align the Company with the Phoenix Group and conform with IAS 24 requirements, the balances include transactions with and balances to/from SLA, shown under other related parties in line with previous year. Transactions with SLA and its subsidiaries make up all of the balances disclosed as Other related parties.

(b) Balances due from/to related parties

The period end balances arising from transactions carried out by the Company with related parties are as follows:

		2020 £'000	2019 £'000
Due from related parties:			
Ultimate parent		48,087	154,084
Parent company		5,602	21,403
Fellow subsidiaries		4,763	4,535
Other related parties		80,715	17,319
Total due from related parties	13	**139,167**	**197,341**
Due to related parties:			
Ultimate parent	20	-	1,659
Fellow subsidiaries	18	-	75,569
Other related parties	18	69,447	349
Total due to related parties	**18**	**69,477**	**77,577**

25. Related party transactions *continued*

(c) *Key management compensation*

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6.

Dividends paid by the ultimate parent company to key management during the year amounted to £53,235 (2019: £42,143).

26. Commitments

The Company has entered into commercial non-cancellable leases on certain equipment where it is not in the best interest of the Company to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights, which are considered standard business terms.

The future aggregate minimum lease payments under non-cancellable operating leases, including low value leases, are as follows:

	2020 £'000	**2019 £'000**
Not later than 1 year	6,812	7,095
Later than 1 year and not more than 5 years	28,717	24,394
Later than 5 years	24,983	36,087
Total operating lease commitments	**60,512**	**67,576**

27. Events after the reporting date

On 22 February 2021, the Group entered into a new agreement with SLA which aims to simplify the arrangements of their Strategic Partnership, enabling the Group to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using SLA's asset management services in support of Phoenix's growth strategy. Under the terms of the transaction, the Group will sell its UK investment and platform-related products, comprising Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to SLA, and acquire ownership of the Standard Life brand.

The Group will receive cash consideration for the overall transaction of £115 million, the majority of which has already been received. When taking into account all aspects of the transaction the financial impact in profit or loss and to net assets is not expected to be material profit or loss within this Company.

On 3 March 2021, an increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget. As a result of the rate increase, the net deferred tax asset in existence at the end of 2020 is expected to increase in value by approximately £443k to £2,071k.

28. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Standard Life Assurance Limited a company incorporated and resident in the United Kingdom.

The Company's ultimate parent company is Phoenix Group Holdings plc, a company incorporated in England and Wales. A copy of the financial statements of Phoenix Group Holdings Plc can be obtained from the Company Secretary, 100 St Paul's Churchyard, London, EC4M 8BU or www.thephoenixgroup.com. Holdings Plc can be obtained from the Company Secretary, 100 St Paul's Churchyard, London, EC4M 8BU or www.thephoenixgroup.com.