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PHOENIX LIFE LIMITED

Company Registration Number: 1016269

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

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Strategic report

The Directors present the Strategic report, their Report and the financial statements of Phoenix Life Limited ("the Company") for the year ended 31 December 2023.

The Company has transitioned from UK adopted international accounting standards to Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") (together "UK GAAP") when preparing the statutory accounts for year ended 31 December 2023, with a transition date of 1 January 2022. The provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies also apply to the Company. The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with UK GAAP in conformity with the requirements of the Companies Act 2006.

Business review

Principal activities

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

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

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

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

All business is written in the UK.

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

Strategy

The Company is a member of the Phoenix Group. The Group is the UK's largest long-term savings and retirement business. The main focus has traditionally been on closed life fund consolidation, and the Group specialises in the acquisition and management of closed life insurance and pension funds. Alongside this, the Group has open business which manufactures and underwrites new products and policies to support people saving for their futures. The Phoenix Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, enabling improved outcomes for customers and to deliver value for shareholders.

Corporate activity

Equity Release Mortgages ("ERM")

On 15 March 2023 the Company sold £182m of ERM loans to Phoenix ER6 Limited ("PER6L"), a wholly owned subsidiary, in return for notes issued by PER6L. The loans sold were LV, More2Life and Standard Life Home Finance ("SLHF2) originations between 1 September 2022 to 31 January 2023.

On 16 November 2023 the Company sold a further £314m of ERM loans to PER6L in return for notes issued by PER6L. The loans sold were LV, More2Life and SLHF2 originations between 1 February 2023 to 30 September 2023 and PURE originations between 1 August 2021 to 30 September 2023.

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

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BPA transactions
During 2023, the Company continued its activities in the BPA market, completing 17 BPA transactions with a combined premium of £6.2bn.

For all of the BPA transactions, reinsurance was effected, transferring the majority of the associated longevity risk. During the year ended 31 December 2023, the Company received capital contributions of £250m (2022: £307m) from Pearl Life Holdings Limited, its parent undertaking to cover the initial solvency strain of these transactions.

Capital contributions of £250m (2022: £508m) were received in the year. Capital contributions of £850m (2022: £375m) were repaid in the year.

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

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

Policy administration migration
On 29 November 2018, Phoenix Group announced its intention to move to a single, digitally enhanced outsourcer platform which will improve customer outcomes, supported by Diligenta Limited ("TCS Diligenta"), a subsidiary of Tata Consultancy Services Limited. Due to the complexity of the old systems and to reduce the risk from a Customer perspective a decision was taken in 2020 to change the scope and deliver the Glasgow based systems in multiple migrations rather than a big bang. A decision was also taken to transition the Glasgow based customer servicing to TCS Diligenta (which completed successfully in 2020) whilst the migrations take place to minimise the risk exposure with Capita. Further policies transferred during 2023 with final remaining policies expected to transfer in 2024.

Strategic Partnership with abrdn
On 23 February 2021, the Group announced that it had entered into a new agreement with abrdn, to simplify the arrangements of their strategic partnership. The remaining activity relates to the sale of the Company's Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to abrdn, which is subject to regulatory clearance for both parties, and will be effected through a Part VII transfer targeted for completion in 2024. During the year the Company continued internal planning and engagement with the Prudential Regulation Authority ("PRA") in anticipation for this transaction.

Part VII transfer
On 1 January 2023, the Company completed a Part VII transfer of its Irish, German and Icelandic business to Phoenix Life Assurance Designated Activity Company ("PLAEDAC"), a fellow group company, under Part VII of the Financial Services and Markets Act 2000.

In addition to the transfer the Company entered into reinsurance agreements with PLAEDAC for the contracts invested within the Phoenix WP Fund, 90% WP Fund, Alba WP Fund, SPI WP Fund and the Non-Profit Fund.

Climate change: activity in the year and future developments
Climate change is one of the greatest global challenges faced today. As a purpose-led organisation, the Group believes that it has a responsibility to society to help address the climate emergency and play a leading role in supporting the transition to a net zero economy for the benefit of all its stakeholders. That is why the Group have committed to being net zero by 2050 across its investment portfolio, operations and supply chain, with stretching interim targets set for 2025 and 2030 to ensure that it remains on track. The Groups climate ambition is to optimise value for its customers and play a key role in delivering a net zero economy.

In May 2023 the Group published its inaugural Net Zero Transition Plan which marked an important step in its journey towards net zero. It outlines the actions being undertaken to become net zero by 2050 and to achieve its interim targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in its plan. The Company supports the Group view on climate having undertaken the first Taskforce for Climate related Financial Disclosure ("TCFD") entity climate report under the Financial Conduct Authority ("FCA") Environmental, Social & Governance ("ESG") Sourcebook for the year ending 31 December 2022, released in June 2023. The Company continues to build on the publicly disclosed climate metrics from first year reporting and will disclose its second year of climate reporting by the end of June 2024. During 2023, the Group also became a signatory to the UK Stewardship code and published its inaugural Stewardship Report. This report expands on climate change and looks to provide greater clarity on the Group's position towards ESG emerging themes.

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In parallel with the Group's work to address climate change, the Group is on a journey to improve its understanding of its exposure to nature-related impacts, dependencies and risks, and to identify possible investment opportunities. The Group recognises that managing nature risk and opportunity is critical in ensuring its long-term sustainability as a business and serving the best interests of its customers. In May 2023 the Group signed the Finance for Biodiversity Pledge and Foundation, which includes five commitments for signatories: collaboration and knowledge sharing, engaging with companies, assessing impact, setting targets and reporting publicly. The Group also joined Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss.

The Company continues to disclose in line with the strategy, risk management, and governance framework set by the Group to ensure it can contribute and help support the Group to meet its Climate and Sustainability targets. More information can be found in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Regulatory developments
The UK government has launched a consultation into the Future Regulatory Framework for financial services, and separately into the Solvency II regime. These reviews could lead to significant changes to the Company's regulatory environment and could create both challenges and opportunities for its business. The Company continues to monitor changes in the regulatory environment and feedback on consultations both via the Group and industry bodies. Solvency II reform introduced changes in measurement, methodology and reporting requirements for year ended 31 December 2023 but further changes based on consultation feedback are not expected to take effect until year ended 31 December 2024. All changes are subject to parliamentary approval.

Key Performance Indicators ("KPIs")
The results of the Company for the year are shown in the Statement of comprehensive income on page 43.

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

Capital resources
The Company's solvency position is an important measure of financial strength. As at 31 December 2023 the Company's Solvency II own funds and excess of own funds over solvency capital requirement were £7,917m (2022: £3,665m) and £2,795m (2022: £1,390m) respectively.

Dividends paid
The payment of dividends to Group is a strategic objective as cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. Dividends of £535m were paid to the parent company during the year (2022: Nil). The directors do not recommend the payment of a final dividend.

Customer satisfaction score
The 2023 customer satisfaction percentage for the Phoenix Life division (comprising the Company and its fellow subsidiary PLAL, against the 88% target was 87% (2022: 96% against the 90% target). This measure highlights how satisfied customers are with Phoenix's telephony servicing proposition.

It is important to note that the Company has changed the way it measures customer satisfaction since last year by moving away from a warm hand off collation method, where the customer was transferred after the call, to an approach managed through text message. This new approach enables customers to respond if/when they want to and is classed as a cold handoff. Due to the change from warm to cold hand off, targets have reduced accordingly. This change was made to bring a consistent measure across all of our Group and implement a better recover opportunity, coaching and analysis of trends to drive improvements and attempt to make it simpler and more flexible for our customers to use.

The Company aims to deliver a customer satisfaction score of (mid-target) 88%.

Speed of pension transfer payouts
This is a recognised industry measure, and the Pensions Transfer performance has contributed to Phoenix earning an accreditation with STAR, which is the industry initiative to improve pension transfers for customers. 2023 results show the STAR accreditation has improved year on year.

For 2023 as a whole the average speed of pension transfer payouts was 11.38 calendar days across Pension to Pension and Pension to Annuity transfers. This was an improved position from 2022.

Financial ombudsman service ("FOS") overturn rate
This is an independent view of how the Company is handling complaints. The 2023 result for the Phoenix Life division (comprising the Company and PLAL), was 26% (2022; 17%) which is better than the industry average of 37% and the "Decumulation, Life and Pensions" category average of 39%.

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Operations
During the year, the Company has maintained its existing nine with-profits ("WP") funds of which the Alba WP, Britannic IB WP, Britannic WP, Phoenix WP, 90% WP, SMA WP, SPL WP and SAL WP funds are operated on a 90:10 basis and the 100% WP fund on a 100:0 basis. The Company also maintains a portfolio of non-profit business for which the profits accrue to the shareholder and which comprises unit-linked life and pensions and conventional life, pensions and permanent health business.

As a result of the Part VII transfers from SLAL, PLAL and SLPF, the funds previously maintained within these entities fall within scope of the Company. This includes four with-profits funds managed by PLAL, of which the Pearl WP fund operates on a 90:10 basis and the SERP, LL WP and NPL WP funds operate on a 100:0 basis. All entities transferred a portfolio of non-profit business for which the profits accrue to the shareholder. SLAL funds transferred to within control of the Company are:

- Shareholder Fund ("SHF")
- Proprietary Business Fund ("PBF")
- Heritage With-Profits Fund ("HWPF")
- UK Smoothed Managed With-Profits Fund ("UKSMWPF")
- German With-Profits Fund ("GWPF")
- German Smoothed Managed With-Profits Fund ("GSMWPF")

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

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

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

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

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

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

Directors' duties under section 172 of the Companies Act
Section 172 of the Companies Act 2006 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 the Company have applied Section 172 of the Act in a manner consistent with the wider Group's purpose, values and strategic priorities, whilst having due regard to the Company's ongoing regulatory responsibilities as a financial services business. To support the fulfilment of the Directors' duties outlined above, each paper prepared for consideration by the Board contains an analysis of the potential impact of proposals to be considered by the Board in light of the factors contained in Section 172.

The Board recognises that the Company's stakeholders are integral to its success. During the year, the Board ensured that its considerations and decision making processes took into account their impact on its own stakeholders. The key stakeholder groups most relevant to the Company and its relationships with each are set out below. Please note that consideration of some stakeholder matters is undertaken at Group level. Where this is the case, such consideration is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on these matters in these individual financial statements.

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

Key stakeholder groups		
Customers	Suppliers	Colleagues
Our customers span a broad spectrum of products and services, from individual life, pensions and savings business, to BPA and de-risking products for corporate clients. The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.	We depend on our outsourced service providers ("OSP's") to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.

Link to strategic priorities		
Optimise our in-force business; Grow organically and through mergers and acquisitions	Optimise our in-force business; Enhance our operating model and culture	Grow organically and through mergers and acquisitions; Enhance our operating model and culture
How has the Board engaged with and had oversight of stakeholder views during the year?		
The Board sought to understand whether customer needs were being met through consideration of regular reports on customer service, customer satisfaction and complaints. During the year, there were specific updates on the development of a Customer Experience Dashboard, analysis on customer complaints and 'goneaway' customers. The Board monitored the impact of the Group's change agenda, including resource required to maintain focus, and the potential impact on, customer outcomes. The Board considered reports from management in relation to implementation of an evolved, customer-centric, operating model and drive to a consistent strategy for customers within existing products. The Board challenged management to ensure the customer was central to the narrative in the development of the Group Net Zero Transition Plan. The Board was informed on the activity being undertaken to support customers impacted by the Cost of Living crisis.	The Board received regular reports from management on ongoing customer service performance and outsourced services. Relationships with OSPs were monitored via regular updates to the Board. The Board oversaw the migration of another 700,000 Phoenix Life customers from one third-party partner to the Group's long-term customer service strategic partner, TCS Diligenta. The Board received regular updates on the planned customer migration programmes. Through its Risk Committee, the Board continued to receive updates on the adherence to operational resilience requirements. Bespoke updates on specific OSPs were held during the course of the year.	The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management. The Board considered the forward looking performance metrics proposed for the Group's Annual Incentive Plan with respect to customer performance. In addition, the Board's non-objection was sought for any intended bespoke remuneration plans for functions responsible for the delivery of good customer outcomes.

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The Board's role in promoting positive stakeholder relationships		
The Board holds management to account throughout the year, ensuring due care and attention is given to good customer outcomes and needs, especially in the context of data and platform migration work and projects to grow and develop the Group.	The Board monitors the performance of its OSPs to ensure Phoenix is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with OSPs are vital to the success of both parties.	The Group Board is responsible for setting cultural tone for all Group colleagues. However, the PLL Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Company.

Key stakeholder groups continued		
Community	Investors	Government, trade bodies & regulators
The most significant way in which we impact the community is through the investment decisions we make. The Group also encourages all colleagues to support our local communities through volunteering. The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.	Our sole shareholder is Pearl Life Holdings Limited. As a Phoenix Group company, our ultimate controlling party is Phoenix Group Holdings plc ("PGH"). The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the PRA, FCA and The Pensions Regulator ("TPR"). The board acknowledges the importance of maintaining positive relationships with the Company's regulators to enable good outcomes for its customers.

Link to strategic priorities		
How has the Board engaged with and had oversight of stakeholder views during the year?		
The Board received regular reporting on its sustainable investments which is a core focus of its Board Investment Committee. The Board contributed towards development of the Group's Sustainability Strategy and Stewardship Policy for 2023 and beyond. The Board provided feedback in relation to the Group's Net Zero Transition Plan published in 2023, in particular with respect to customer impacts. The Board attended informal sessions with the Phoenix Insights team and the Director of Public Affairs.	The governance framework within the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Group. The Group Chief Executive and Chief Financial Officer are both members of the Board, which further strengthens the link between the Company and its ultimate parent, PGH. Both provide updates on the Group Board's activity within their regular reporting. During the year, the Board approved the payment of dividends to PGH.	The Board received updates on management's interactions with regulators and any feedback received from those bodies. The Board considered regular updates in relation to the Group's preparation for implementation of the FCA's new Consumer Duty, including an in-depth education session. At the request of the regulators, certain Board directors have met with representatives on a formal basis. The Board receives an annual update from the Chair of the Independent Governance Committee, which includes insight into the relationship with TPR. The Board received feedback on the external interactions with Government and trade / industry bodies by the Life Companies CEO and the CEO, Savings & Retirement. Both the PRA and FCA attended sessions with the Board during the year.

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

Key board decisions

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

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

Key Board decision	**Part VII transfer of business**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters During 2023 the Board and its With-Profits Committee oversaw arrangements to transfer the business of SLAL, SLPFL and PLAL into the Company under a Part VII arrangement. Given the size and complexity of the transaction, the Board formally constituted a committee wholly dedicated to oversee delivery of this significant transaction. As part of its oversight arrangements, the Board committee explicitly considered the impact of the proposed transaction on Phoenix policyholders generally, as well as the findings of an Independent Expert on the impact of the proposed transaction on Phoenix with-profits policyholders. It also reviewed policyholder communications ahead of distribution and publication. From a regulatory and legal perspective, the Board committee reviewed the terms of the transfer itself, together with documentation seeking formal approval from the regulator to waivers to be requested from the Court in respect of the transaction, thereby ensuring high standards of business conduct were met. Finally, ahead of implementation approval, the Board committee satisfied itself as to operational readiness, designed to deliver a seamless transition from a customer, regulatory and business perspective.
Outcome	At each stage of the process and having duly considered the matters set out in section 172 each time, the Board committee considered the impact on its customers and the need to ensure a continued high standard of conduct was delivered during the process, providing the necessary approvals which resulted in the Part VII transfer of business from PLAL and SLPFL into the Company with an effective date of 30 September 2023.

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Key Board decision	**Consumer Duty implementation for active products**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters Throughout the year the Board closely monitored the Company's progress toward achieving compliance with the FCA's Consumer Duty via regular update reports. This included a standalone education session on the progress of the Consumer Duty programme and dedicated consideration of Conduct Strategy reporting and the wider Group's approach to Fair Value. As a final step it considered evidence to support the Company's compliance. The Board reviewed activity undertaken in relation each of the key dimensions of Consumer Duty, which included: defining all terms of the Duty; documenting existing pricing practices and developing a Fair Value Framework; documenting foreseeable harm scenarios; undertaking a review of high-risk customer journeys; testing customer communications and developing a group-wide communications framework; updating existing policies and frameworks; and initiating actions to support cultural change. The output of a gap analysis exercise for reporting measures was received, whereby confirmation was provided around existing reporting measures and the delivery roadmap for additional measures. The Board also considered the Consumer Duty Programme's responses to the FCA's Dear CEO Letter and sample questions as a means of assessing readiness for meeting the deadline in relation to open products.
Outcome	Following due consideration of the matters set out in section 172 and evidence presented, the Board concluded that the Company had materially achieved compliance with the FCA's requirements of the Consumer Duty in relation to its open products.

Example key Board decision	**Migration of Phoenix Life policies to a new administration platform**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters Having previously undertaken migrations of legacy policies to a new administration platform between 2020 and 2022, the Board considered a proposal to migrate a further tranche of policies to the new platform. In considering the proposal, the Board recognised the long-term benefit of safely moving customers to a more robust platform, which was aligned to the Group's wider strategic objectives. The Board considered actions identified and undertaken to ensure a safe landing for customers onto the new platform. These included: dry runs and dress rehearsals; managing timing of customer payments; stress testing; and back-out planning. As well as ensuring that learnings from the previous migrations had been incorporated into the proposal, the Board considered the readiness of the business to undertake the next phase. This included matters such as resourcing and handling of manual workarounds, as well as the impact on the business as usual environment, as monitored by key performance metrics. In seeking a balanced view of the proposal, the Board also considered risks, uncertainties and contingencies contained therein and associated mitigating actions. Further, the Board received comprehensive assurance from the Risk function on the detail of the proposal. The proposal set out impact of the migration on Group colleagues, which asked the Board to note how further resource needs had been met and the additional training provided in readiness for migration.
Outcome	Following due consideration of the matters set out in section 172, the Board, noting the ongoing need for a high standard of conduct for customers, approved the decision to go live with the next migration phase.

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Example key Board decision	2023 Sustainability Strategy
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters During the year the Board considered proposals relating to the framing of the Group's Sustainability Strategy for 2023 and beyond. As part of its consideration, the Board explored recommendations relating to the strategic framework, sustainability strategy organisation, investing in a sustainable future, engaging people in better financial futures and building a leading responsible business. It also received insight into the strategy's three pillars, which included the Net Zero Transition Plan, digital inclusion, financial wellness and ensuring that products supported longevity. The Board explored how funds might be deployed for investment and recognised the challenges around reconciling sustainability and nature. It also considered ways in which the business proposed to invest in its people and culture and support local communities through initiatives such as charity partnerships, volunteering and monetary donations amongst others. Of importance, given its responsibility for customers, the Board spent time gaining comfort on how the Sustainability Strategy and Net Zero Transition Plan would impact and thus be communicated to customers.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the Sustainability Strategy at local level, providing a non-objection for the overall strategy. Final approval for the overall strategy was then sought and received from the Company's ultimate parent, Phoenix Group Holdings plc.

Example key Board decision	Payment of dividend
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters In the final quarter of 2023, the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available for distributions to the Company's ultimate parent, Phoenix Group Holdings plc. When considering the proposals the Board paid due regard to the long-term impact of those decisions, specifically in the context of capital and liquidity affordability. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposals. The Board recognised the importance of being able to provide assurance to the regulator, the PRA, as to its sound and prudent management. In addition to confirmation that the proposals were compliant with the PRA's Supervisory Statement on Financial Management and Planning by Insurers, it received confirmation that PRA feedback provided earlier in the year in relation to dividend decision-making had been addressed.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the payment of dividends to its ultimate parent, Phoenix Group Holdings plc.

Business relationships with customers

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

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Business relationships with Partners/Suppliers

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

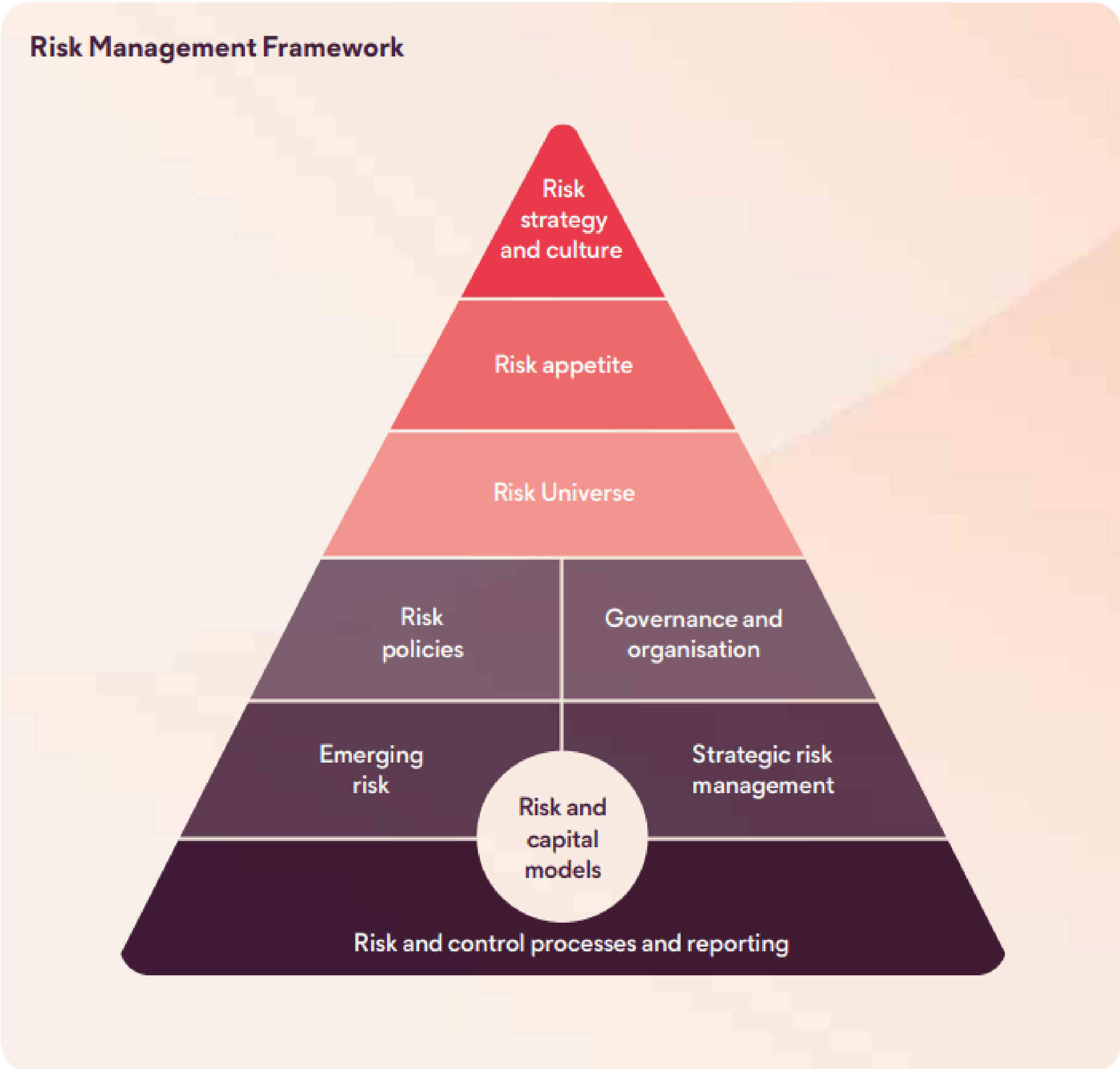
Energy and carbon reporting

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

Risk Management Framework

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

The nine components of the Group's RMF are illustrated in the diagram below. Further details on each component are outlined in the Strategic Report of the Group's Annual Report and Accounts 2023.



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Risk Environment

The Group continues to operate in a volatile risk environment with multiple external factors requiring navigation to enable the Group to deliver on its strategic priorities.

Geopolitical risk remains most prominent. Tensions in the Middle East have escalated, and whilst the Group has low exposure to assets heavily influenced by the price of gas and oil, it is closely monitoring impacts to inflation or interest rates which may occur from disruption to Red Sea shipping. The Group's Stress and Scenario testing programme continues to consider a range of adverse circumstances to help the Group and its Life Companies determine any actions needed to respond to economic pressures.

The regulatory change agenda continues to have potentially significant implications for the Group achieving its strategic priorities. The Group is supportive of the Solvency II reforms and continues to engage in industry consultations as the draft regulations are refined. Progressing key tasks on the implementation plan for the FCA's new Consumer Duty is another key area of focus, which is well aligned to the Group's purpose of helping customers achieve a life of possibilities. The Group supports the FCA's Sustainability Disclosure Requirements ("SDR") and investment labelling requirements and has mobilised a project to ensure its practices align with the new regulations. Additionally, work is underway to provide a response to the FCA following the Advice Guidance Boundary Review consultation paper. The Group recognises the importance of this review, which aligns well to the Group's purpose and strategy.

The Group monitors developments across the political environment and engages with political parties, regulators and industry bodies on reforms which could help people live better, longer lives. In order to support customers on their journey to and through retirement, the Group places significant focus on monitoring and managing sustainability risks, including climate change, to ensure ongoing resilience over the long term to such risks.

The Group remains alert to the risk of cyber attacks which could impact the Group or its strategic partners directly, or indirectly via impact to customers and colleagues should state infrastructure be targeted.

Principal risks and uncertainties

From the perspective of the Company, its principal risks and uncertainties are integrated with the principal risks of the Group which are outlined in the Strategic report of the Group's Annual Report and Accounts 2023. All thirteen Group principal risks are relevant to the Company and are outlined in the sections that follow.

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Insurance; Credit; Customer; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in more detail in note 32 of the financial statements.

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

Most of the with-profit funds are strong financially (i.e. do not require shareholder support in meeting their liabilities and capital requirements) and the risks of meeting policyholder guarantees are unlikely to have a material adverse impact on the Company. Risks are managed through investment strategies matching liabilities with fixed and variable rate income securities to mitigate risks associated with guarantees and with the purchase of derivatives to mitigate risks of guaranteed annuity options.

The financial strength of Britannic WP Fund ("BWP") reduced over 2021-2022 and required support from the Company in 2022. The Company investigated available management actions to improve the solvency position of the fund. With the support of the With-Profit Actuary the level of Conditional Estate Distribution in 2023 was reduced and BWP no longer requires support from the Company.

The SERP, LL WP and NPL WP funds remain relatively weak and, as a result, the shareholders are exposed to insurance risk and to market and credit risk associated with its investments because the margin between the value of assets and the realistic value of policyholder liabilities is small. Risks are managed through investment strategies matching liabilities with fixed and variable rate income securities to mitigate risks associated with guarantees and with the purchase of derivatives to mitigate risks of guaranteed annuity options.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the Solvency II Directive and the PRA. The Capital Management Framework is detailed in note 31.

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Strategic risk – Organic Cash Generation

1. The Group, including the Company, fails to deliver long-term organic cash generation in line with its Annual Operating Plan

Impact	Mitigation	Events in the year
Confidence in the Group, and the Company, might be diminished if it fails to deliver organic cash generation in line with targets shared, particularly as the Group seeks to support people by offering a wide range of solutions to help customers journey to and through retirement.	The Group's business unit structure brings focus and accountability. The key areas of growth are Pensions and Savings and Retirement Solutions. Each business unit holds an annual strategy setting exercise to consider the needs of potential and existing customers, the interests of shareholders, the competitive landscape and the Company's overall purpose and objectives. The Company's Annual Operating Plan commits it to making significant investment in its growth businesses, including propositional enhancements driven by customer insight. The Company is established in the BPA market and continues to invest in its operating model to further strengthen its capability to support its growth plans. For new BPA business, the Company continues to be selective and proportionate, focusing on value not volume, by applying the Group's rigorous Capital Allocation Framework	The Group has delivered strong organic growth in 2023, with new business net fund flows (the aggregate net position of assets under administration inflows less outflows for new business) of c.£7bn, compared to £3.9bn in 2022. This is in line with the Group's strategy to deliver a balanced business mix through leveraging its scale in the capital-light fee-based businesses and maintaining a disciplined level of growth in annuities. As a result of this strong performance, the Group has delivered c.£1.5bn of incremental new business long-term cash generation in 2023, achieving its 2025 target two years early. Incremental new business long-term cash generation represents the operating companies' cash generation that is expected to arise in future years as a result of new business transacted in the period. During 2023, the Company completed BPA transactions with a combined premium of c.£6.2 bn, compared to £4.8bn in 2022. This continues to demonstrate that the Group has the ability to compete and win in the BPA market. In September, the Company launched the Standard Life Pension Annuity to the open market in the UK, becoming the first new provider to enter the annuity market since the introduction of Pensions Freedom Legislation in 2015. The Pensions and Savings business, operating under the Standard Life brand, has developed its operating model to centre around three trading channels: Workplace, Retail Intermediated and Retail direct. The Workplace business continues to attract good flows in, delivering net fund flows of c. £4.5bn in 2023, nearly double the £2.4bn delivered in 2022. This is supported by c. £2bn of new scheme assets transferred in 2023, including the Siemens workplace scheme, which represents one of the largest scheme transfers to have been tendered in the UK market in recent years, demonstrating the strength of the Group's proposition.

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		The operating model and organisational design are being developed and implemented for the Retail businesses, with the aim of maximising opportunities for growth, both directly and through advisers, from new and existing customers. During 2023, £1.1bn of assets were internally transferred to Retail direct to enable existing customers to access modern pension offerings to support them to and through retirement.
		The Company is looking to expand the current offering of financial guidance and advice to support customers in better preparing for their retirement.

Market risk

2. Adverse investment market movements or broader economic forces can impact the Group, and the Company's, ability to meet its cash flow targets, along with the potential to negatively impact customer investments or sentiment

Impact	**Mitigation**	**Events in the year**
The Company and its customers are exposed to the implications of adverse market movements. This can impact the Company's capital, solvency, profitability and liquidity position, fees earned on assets held, the certainty and timing of future cash flows and long-term investment performance for shareholders and customers.	The Company undertakes regular monitoring activities in relation to market risk exposure, including limits in each asset class, cash flow forecasting and stress and scenario testing. In particular, the Company's increase in exposure to residential property and private investments, as a result of its BPA investment strategy, is actively monitored.	The global macro-economic environment remains highly uncertain; although prices continue to rise, the rate of inflation is lower. The UK Consumer Price Index is down to 2.3% in April 2024 from a peak of 11.1% in October 2022. There is an increased expectation that the Bank of England will achieve its target of 2% by the end of 2025.
There are a number of drivers for market movements including government and central bank policies, geopolitical events, market sentiment, sector specific sentiment, global pandemics and financial risks of climate change, including risks from the transition to a low carbon economy.	The Company continues to implement de-risking strategies and control enhancements to mitigate unwanted customer and capital outcomes from certain market movements such as equities, interest rates, inflation and foreign currencies. These strategies may give rise to liquidity risk, which is monitored and reviewed frequently. Capital and liquidity positions are monitored closely and the market outlook is regularly discussed with its asset managers.	The Bank of England base rate has increased from 0.1% in December 2021 to 5.25% in August 2023, and remains at this level with the outlook for this to remain stable until later in 2024 before reductions can be expected. Higher interest rates, coupled with cost-of-living rises, have suppressed residential property prices. These are expected to bottom out in summer 2024 and see a return to growth after interest rates start to come down. UK gilt yields remain high, rivalling the levels seen during the 2022 mini-budget market event. The Company continues to monitor and manage its market risk exposures, including to interest rates and inflation, and to markets affected by the increasing number of geopolitical conflicts and concerns. For example, continued attacks on shipping in the Red Sea pose a risk of worsening inflationary pressures and the downstream effects on interest rates.

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		The Company's strategy continues to involve hedging the major market risks and, in 2023, the Company's Stress and Scenario Testing Programme continued to demonstrate the resilience of its balance sheet to market stresses. Contingency actions remain available to help manage the capital and liquidity position in the event of unanticipated market movements.

<u>Credit Risk</u>

3. The Group, including the Company, is exposed to the risk of downgrade and/or failure of a significant counterparty

Impact	Mitigation	Events in the year
The Company seeks rewarded credit risk in order to drive value for shareholders and invests in a wide range of credit risky assets in accordance with its strategic asset allocation. The Company is exposed to the risk of downgrades and deterioration in the creditworthiness or default of investment, derivatives or banking counterparties. This could cause immediate financial loss or a reduction in future profits. The Company is also exposed to trading counterparties, such as reinsurers or service providers failing to meet all or part of their obligations. This would negatively impact the Company's operations which may in turn have adverse effects on customer relationships and may lead to financial loss.	The Company regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties (with sub-limits for each credit risk exposure), sector concentration, geographies and asset class. Limits also restrict exposure to BBB+ and below rated assets. The Company undertakes regular stress and scenario testing of the credit portfolio. Where possible, exposures are diversified using a range of counterparty providers. All material reinsurance and derivative positions are appropriately collateralised. The Company regularly discusses market outlook with its asset managers in addition to the Line 2 Risk oversight. For mitigation of risks associated with stock-lending, additional protection is provided through collateral and indemnity insurance.	Over 2023 the Company continued to undertake actions to increase the overall credit quality of its portfolio and mitigate the impact on risk capital of future downgrades. This positive progress is balanced by risks arising from geopolitical conflicts such as those in Ukraine and the Middle East, and supply chain disruptions arising from the risk of deterioration in the relationship between the USA and China. Uncertainties over the global economic outlook, persistent high inflation and higher for longer interest rates present an increased risk of defaults and downgrades. However, a UK sovereign downgrade is less probable than at the end of 2022, following both Moody's and S&P's revision of the UK credit rating's outlook from 'negative' to 'stable' during 2023. This has a positive impact on UK-related assets including Gilts, Housing Associations and Local Authority Loans. Despite the failure of a number of US regional banks and a regulator-facilitated merger of Credit Suisse with UBS in early 2023, the Group's view is that a full-blown banking crisis will not follow. In addition, the Company has limited exposure to banks with idiosyncratic risks. The Company has no direct shareholder credit exposure to Russia or Ukraine and no exposure to sanctioned entities. The Company continues to increase investment in illiquid credit assets as a result of BPA transactions. This is within appetite and in line with the Company's strategic asset allocation plans. The growth in illiquid assets will be met by growth in the overall credit portfolio.

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Insurance risk

4. The Group, including the Company, may be exposed to adverse demographic experience which is out of line with expectations

Impact	Mitigation	Events in the year
The Company has guaranteed liabilities, annuities and other policies that are sensitive to future longevity, persistency and mortality rates. For example, if annuity policyholders live for longer than expected, then the Company will need to pay their benefits for longer. The amount of additional capital required to meet additional liabilities could have a material adverse impact on the Company's ability to meet its cash flow targets.	The Company undertakes regular reviews of demographic experience and monitors exposure relative to quantitative risk appetite limits. Monitoring includes identifying any trends or variances in experience, in order to appropriately reflect these in assumptions. The Company regularly reviews assumptions to reflect trends in future mortality improvements. The Company continues to manage its longevity risk exposures, which includes the use of longevity swaps and reinsurance contracts to maintain this risk within appetite. Where required the Company continues to take capital management actions to mitigate adverse demographic experience.	Demographic experience and the latest assessment of future trends continue to be considered in regular assumption reviews; including making appropriate allowance for the impacts of COVID-19 on both longevity and mortality as part of the 2023 assumption reviews. The Company continues to monitor customer behaviour as a result of the cost-of-living crisis to ensure its impact on demographic assumptions is appropriately reflected in regular assumption reviews. As noted elsewhere in this section, proactive action is being taken to ensure support is provided to customers as the impacts from the cost-of-living crisis continue to materialise. The Company completed BPA transactions with a combined premium of c. £6.2 billion in 2023. Furthermore, the launch of the new Standard Life Pension Annuity ('SLPA') product in the second half of 2023 is a significant milestone for the Company. Consistent with previous transactions, the Company continues to reinsure the vast majority of the longevity risk using longevity swaps and reinsurance contracts that are reviewed regularly.

Customer risk

5. The Group, including the Company, fails to deliver good outcomes for its customers or fails to deliver propositions that continue to meet the evolving needs of customers

Impact	Mitigation	Events in the year
The Company is exposed to the risk that it fails to deliver good outcomes for its customers, leading to adverse customer experience and potential customer harm. This could also lead to reputational damage for the Company and/or financial losses. In addition, a failure to deliver propositions that meet the evolving needs of customers may result in the Company's failure to deliver its purpose of helping people secure a life of possibilities.	The Group's Conduct Risk Appetite, applicable to the Company, sets the boundaries within which the Group expects customer outcomes to be managed. The Group's Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where the Group and the Company's customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.	The FCA's Consumer Duty represents a step change in approach for the industry, re-enforcing a shift away from a rules-based regime to principles-based regulation. The Duty introduces an overarching requirement that firms, and their employees, must act to deliver good outcomes for retail customers. In response, the Company mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024.

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The Group, including the Company, has a suite of customer policies which set out key customer risks and the Control Objectives that determine the Key Controls required to mitigate them.

The Company maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes.

The Company's Proposition Development Process ensures consideration of customer needs and conduct risk when developing propositions.

Despite having met the first two deadlines, the Group's view is that the risk exposure around the Duty is elevated whilst the supervisory approach matures, and closed products are reviewed against the Duty's principles, most notably fair value, ahead of the end-July 2024 deadline. The Company has built on its' strong foundations, enhancing existing and creating new Group frameworks (which apply to the company), processes and strategies to meet Duty requirements. This includes a Fair Value Framework designed to assess value in its broadest definition and refreshing the Conduct Strategy to embed and maintain the culture of the Company, informed by monitoring behaviours and customer outcomes.

The FCA is raising the bar in terms of expectations on firms to ensure and evidence good outcomes are being achieved for their customers. The FCA continues to provide guidance to the industry to support firms' plans to embed the Duty within their businesses. It also recognises that its own understanding and development of guidance and supervisory approach will continue to evolve.

The Company continues to monitor the impacts of the cost-of-living crisis on its customers. Proactive action to support customers, including those most vulnerable, is a priority. The Company is using customer behaviour research and analysis to provide customers with the support and help that they need. This has included improving all brand websites to provide general cost-of-living support, encouraging customers to get in touch for help and including links to external support websites.

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Operational risk – Regulatory, legislative or political

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

Impact	Mitigation	Events in the year
Changes in regulation could lead to non-compliance with new requirements that could impact the quality of customer outcomes, lead to regulatory sanction, impact financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance. Political uncertainty or changes in the government could see changes in policy that could impact the industry in which we operate.	The Company undertakes proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Company to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline. The Group engages with many political parties and industry bodies to foster collaboration and inspire change which supports the Group's purpose of helping customers secure a life of possibilities.	In June 2023, HM Treasury published draft legislation related to the Solvency II reforms, indicating the reform implementation would be staged with some reforms coming into force on 31 December 2023 and the remainder on 30 June 2024. The PRA has since issued two of three anticipated consultations on the rules to implement those reforms in H2 2023, and its near final policy to go live at year-end 2024, relating to Internal Models, Transitional measures on Technical Provisions and Group supervision. Internal teams are reviewing the detail to assess what actions are needed to ensure the Group is compliant with the new rules. The Group supports the PRA and HM Treasury's objectives to reform the regulations to better suit the UK market whilst maintaining appropriate safeguards for policyholders. The financial impact of the reforms will depend on the exact detail of the final legislation. The relatively short time period between the PRA final Policy Statement and the implementation date of the new rules contributes to the status of this risk. The Group will therefore remain actively involved in industry lobbying on Solvency II and is preparing as much as possible ahead of time to ensure compliance with new rules at the point of implementation. The Group views the FCA's Consumer Duty as well aligned to its strategic priority of helping people secure a life of possibilities and, from 31 July 2023, the Group is materially compliant with the Duty for its open products. Focus remains on reviewing customer journeys and Fair Value assessments for closed products to achieve compliance with the Duty's principles for these products ahead of the 31 July 2024 deadline. In November 2023 the FCA issued SDR and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments. The Group supports the FCA's aims noting that terminology used and a lack of consistency between providers makes it difficult for consumers to

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		navigate. The Group has mobilised a project to ensure its practices align with the new regulation. In December 2023, the FCA issued the Advice Guidance Boundary Review consultation paper. The consultation could lead to a significant change in the way that people who cannot access advice are supported in the industry and the Group is actively engaging with the FCA on the topic.

Operational Risk – Cyber Resilience

7. The Group, including the Company, or its Supply Chain are not sufficiently Cyber resilient

Impact	Mitigation	Events in the year
Phoenix Group is the UK's largest long-term savings and retirement business, with a significant profile, which leads to greater interest from cyber criminals. The world continues to become increasingly digitally connected and cyber-attacks remain a major threat to the Group. Over the past five years Phoenix Group has grown from 5million to 12million customers, while the number of colleagues in the Group has grown from 900 to over 7,500, not including contractors. In addition, the Group's footprint includes engagement with c. 1,800 suppliers which increases the attack surface significantly. This continual growth poses a greater risk of cyber-attack which could have significant impact on customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes the Group and the Company to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise. Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security.	The Company is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review. The Enterprise Information Security Strategy includes a continuous Information Security and Cyber Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and Annual Cyber Threat Assessment that utilises internal and external threat intelligence sources. The Group continues to consolidate its cyber security tools and capabilities and the Enterprise Information Security Strategy 2023–2025 includes delivery of a Group Identity Platform and Zero Trust model, Supplier Assurance Platform, Secure Cloud Adoption and proactive Data Loss Prevention. The specialist Line 2 Information Security & Cyber Risk provides independent oversight and challenge of information security controls, identifying trends, internal and external threats and advising on appropriate mitigation solutions. The Company continues to enhance and strengthen its outsourced service provider and third party oversight and assurance processes. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group.	The UK cyber threat level remains elevated, due to the sustained Russia/Ukraine war, China/Taiwan tensions, and the addition of the Israel/Palestine armed conflict. Cyber threat levels remain high with increased likelihood of a cyber-attack from a State actor; however it is highly unlikely that a Nation State actor would directly target the Company and any impact would be as a result of indirect cyber-attacks against the UK's critical national infrastructure, IT or information security service providers or global financial services companies. Cyber Criminals continue to be the Company's most likely adversary, primarily due to the fact that the Company is a Financial Sector organisation and the type of data held is attractive to criminal actors. On 19 April 2023, the UK's National Cyber Security Centre issued an alert warning of a heightened risk from attacks by state-aligned Russian hacktivists, urging all organisations in the country to apply recommended security measures. The Company's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; whilst the Company's main threat is considered to be cyber crime, from individuals or organised crime groups, the same controls are utilised to defend against a Nation-State level cyber-attack.

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The pace of change is accelerating due to the rapid rise of Artificial Intelligence ("AI"), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability, and predictability.	The Group holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes, which provides confidence to both clients and internal stakeholders that it is committed to managing security.	The single consolidated Group Supplier Information Security Framework, which applies to the Company, is improving the Security Oversight and Assurance of Phoenix's large portfolio of Outsourced Service Providers, third and fourth Party suppliers, and continues to mature. Further embedding and maturing over the next 12 months will help mitigate the risks associated with supply chain cyber security, which is considered Phoenix's key top cyber security threat. Vulnerability management continued to mature throughout 2023 with the Enterprise Cyber Exposure Score ("CES") remaining steady. The Group received formal approval from the FCA and PRA in July 2023 for closure of the Cybersecurity Best Practice Evaluation and Testing ("CBEST") remediation programme.

Operational Risk – Diverse and engaged workforce

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

Impact	**Mitigation**	**Events in the year**
Delivery of the Company's strategy is dependent on a talented, diverse, and engaged workforce. This risk is inherent in the Company's business model given the nature of acquisition activity and specialist skillsets. Potential areas of uncertainty include the ongoing transition of ReAssure businesses into the Group, the expanded strategic partnership with TCS and the introduction of the flexible working model. Potential periods of prolonged uncertainty could result in a loss of critical corporate knowledge, unplanned departures of key individuals, or the failure to attract and retain individuals with the appropriate skills to help deliver our strategy. This could ultimately impact the Company's operational capability, its customer relationships and financial performance.	The Group aims to attract and retain colleagues from all backgrounds by creating a shared sense of purpose and commitment to our strategy, supported by offering competitive terms and conditions, benefits, and flexibility. Monthly colleague surveys help to improve engagement whilst promoting continuous listening and rapid identification of concerns and actions. The Company looks to proactively respond to external social, economic and marketplace events that impact colleagues. The increased scale and presence of the Group, and success in multi-site and remote working, gives greater access to a larger talent pool to attract and retain in the future. In addition, the Group's graduate and early career programmes helps to support the talent pipeline.	Skills essential to the Company continue to be in high-demand in the wider marketplace. The Company monitors this closely and continues to remain confident in the attractiveness of its colleague proposition. The Group, including the Company, launched MidLife MOT assessments to help colleagues take stock in the key areas of wealth, work and wellbeing. The Company continues to leverage apprenticeships to support workforce diversity and to fill key skills, creating bespoke graduate and early careers programmes for specialist technical areas. The Company continues to successfully operate a flexible working model, with strategic investments in technology and other resources maximising its effectiveness. The Company introduced 'Phoenix Flex' as a core part of its employee offering in 2023, to help support colleagues in balancing their personal and professional lives, by encouraging and celebrating flexibility at work, embracing differences, and helping colleagues to thrive.

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Strategic risk – Strategic Partnerships

9. The Group, and Company's, Strategic Partnerships fail to deliver the expected benefits

Impact	Mitigation	Events in the year
The Company's strategic partnerships are a core enabler for delivery of the Company's strategy; they allow the Company to meet the needs of our customers and clients and deliver value for shareholders. The Group's end state operating model will leverage the strengths of strategic partners whilst retaining in-house key skills which differentiate us from the market. However, there is a risk that the Group and the Company's strategic partnerships do not deliver the expected benefits leading to adverse impacts to customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Some of the key strategic partnerships include: **abrdn plc:** Provides investment management services to the Company including the development of investment solutions for customers. **TCS Diligenta**: Provides a range of services including customer administration, digital and technology capabilities to support customer outcomes. **HSBC:** Provides custody and fund accounting services to the Company.	The Group has in place established engagement processes and a rigorous governance structure to manage relationships with its strategic partners, in line with the Group's Supplier Management Model. The Group takes steps to monitor its supplier concentration risks across the Life Companies and has business continuity plans should there be a significant failure of a strategic partner.	The Group continues to develop its partnership with TCS Diligenta to support its strategic deliverables. The successful migration of around 700,000 Phoenix Life customer policies to the TCS Diligenta's BaNCS platform was completed in November 2023. Planning for further migrations in 2024 and beyond is underway. During 2023 the Company successfully transferred the custody and fund accounting services for £12.3 billion of assets to HSBC plc. This is a key milestone in the Group's journey towards implementing harmonised investment administration processes, and boosts its strategic partnership with HSBC.

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Strategic Risk – Acquisitions & Transitions

10. The Group fails to make further value adding acquisitions or effectively transition acquired businesses. [Note: the Company may be impacted in the event of an acquisition due to its involvement in the transition of acquired businesses]

Impact	Mitigation	Events in the year
The Group is exposed to the risk of failing to transform, simplify and better integrate the component parts of our acquired businesses to deliver leading customer experiences and realise scale efficiencies successfully and efficiently.	Integration plans are developed and resourced with appropriately skilled staff to ensure target operating models are delivered in line with expectations. The Group's priority at all times is on delivering for its customers.	The Company has worked to transform from a financial engineering business to a purpose-led, organically growing business. Focus is now on pivoting to transform and simplify the business in the next phase of our journey.
The transition of acquired businesses into the Group, including customer migrations, could introduce structural or operational challenges that, without sufficient controls, could result in the Group, and the Company, failing to deliver the expected outcomes for customers or achieve the efficiencies of its target operating model.	Customer migrations are planned thoroughly with robust execution controls in place. Lessons learned from previous migrations are applied to future activity to continuously strengthen our processes.	The Company continues to develop its partnership with TCS to support its strategic deliverables. In November 2023 around 700,000 Phoenix Life customer policies were successfully migrated to the TCS BaNCS platform, which will support delivery of the Group's target operating model and enable all Phoenix policies to benefit from a more advanced administration platform. The key risk in respect of migration activity is that the time, and associated cost, to deliver these whilst protecting customer outcomes is greater than expected and the group regularly assesses its reserving basis as a result. In April 2023 the Group completed the acquisition of Sun Life of Canada UK, a closed book UK life insurance company, from Sun Life Assurance Company of Canada. The integration is progressing well, with the majority of functions successfully integrating with the Group in April 2024. The Sun Life of Canada UK acquisition was expected to deliver c. £500 million of incremental long-term cash generation, with 30% expected to emerge in the first three years. The Group have now delivered c. 20% of the targeted c. £500m incremental long-term cash generation target from this acquisition, with the remainder due to emerge in 2025 and 2026.

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Strategic Risk – Climate Change/ESG

11. The Group, including the Company, fails to appropriately prepare for and manage the effects arising from Climate Change and wider ESG risks

Impact	Mitigation	Events in the year
The Company is exposed to the risk of failing to respond adequately to ESG risks and delivering on its social purpose; for example, failing to meet and make its sustainability commitments. A failure to manage ESG risk could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness, reputational risks and litigation. The Company is exposed to risks arising from the transition to a lower carbon economy, which could result in a loss in the value of policyholder and shareholder assets. In addition, physical risk can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, impacting demographic experience.	The Group has a clear sustainability strategy in place which is updated annually to reflect the Group's latest plans and risk exposures, with key metrics on progress monitored throughout the year. Sustainability risk and Climate risk are both embedded into the Group's RMF. Sustainability risk "cross-cuts" the Group's Risk Universe. This means the consideration of material sustainability-related risks is embedded in the Group's risk policies (which the Company adopts), with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. Several Sustainability-related Risk Policies are also in place to cover the main sources of Sustainability risk. The Group is making good progress on integrating the management of climate change and wider ESG risks across the business, including in investment portfolios, with further work underway to embed its consideration fully across the business. The Group continues to engage with suppliers and asset managers on their progress and approach to managing climate change and wider ESG risks. The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities. The Group undertakes deep dives on emerging ESG risk areas (such as greenwashing and ESG litigation risk) to increase understanding and awareness for Boards and Management, and facilitate control improvements where required.	Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments. Recent reports from bodies such as the Intergovernmental Panel on Climate Change and the United Nations Environment Programme highlight the slow progress and significant scale of the challenge in restricting global warming below 1.5°C. Real world events are occurring at a high rate, with 2023 setting the record for the hottest year ever on record. The Group is cognisant of this changing environment and undertakes thought leadership and wide engagement with policymakers and market participants to actively raise the debate around key sustainability themes. Analysis indicates the Group is on track to achieve its 2025 targets if planned actions are implemented. However, further internal actions will likely be needed to achieve the 2030 targets, which are also increasingly dependent on external factors such as the decarbonisation of the wider economy and actions by others – in particular government, regulators, and the high transition risk sector.

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Strategic Risk – Capacity & Capability to Deliver Change

12. The Group, including the Company, does not have sufficient capacity and capability to fully deliver its significant change agenda which is required to execute its strategic objectives

Impact	Mitigation	Events in the year
The Company's ability to deliver change on time and within budget could be adversely impacted by insufficient resource and capabilities as well as inefficient prioritisation, scheduling and oversight of projects. The risk could materialise both within the Company and its strategic partners. This could result in the benefits of change not being realised by the Company in the timeframe assumed in its business plans and may result in the Group being unable to deliver its strategic objectives. Poor change delivery could affect the Company's ability to operate its core processes in a controlled and timely manner.	The Group's Change Management Framework defines a clear set of prioritisation criteria and scheduling principles for new projects. This is to support the safe and controlled mobilisation of new change in line with capacity and risk appetite and to strengthen business readiness processes to deliver change safely into the operational environment. These prioritisation principles are a core part of the Annual Operating Plan process, alongside a significant focus on the deliverability of the change portfolio in 2024. Information setting out the current and forecast levels of resource supply and demand continues to be provided to accountable Senior Management to enable informed decision-making. This aims to ensure that all material risks to project delivery are appropriately identified, assessed, managed, monitored and reported.	The Group and the Company have continued to manage a significant volume of change, consistent with 2022. The Group has continued to strengthen its Change Management Framework during 2023 and expects to see an improving trend in this risk as those enhancements are seen in project delivery, noting that the Group has a number of multi-year change programmes so benefits will emerge in 2024 and beyond. The Group's Chief Operating Officer is driving further enhancements to evolve and mature the Group's change operating model. In 2023 this included significant effort being put into the recruitment of senior change professionals, alongside the assessment and further development of all internal change resources.

On behalf of the Board

DocuSigned by:

Paul Shakespeare

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

14 June 2024

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Directors' report

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

Corporate governance

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

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

This framework is assessed, reviewed and challenged by the Board on at least an annual basis with evidence focusing on the following points. The findings of the review for 2023 are set out below. For the avoidance of doubt, there have been no departures from these aspects of governance through the year:

Aspect of Governance	Demonstrated by
Setting Strategy	As noted in the Directors' duties section of the Strategic report which provides an overview of how the directors have regard for their duty in respect of consequences of decisions in the long-term, an annual strategy day is held each June for the Board to debate and challenge the strategy for the Company and input to the overall Group strategy debate. The Chair of the Company (or designated representative) is invited to attend the Group strategy sessions to provide the Board's feedback. A more refined view, developed into an Annual Operating Plan, is created for review and sign off at the beginning of each year which maps out the ongoing strategic direction for the following 12 months and up to 5 years thereafter. Board agendas are prepared to ensure that the more strategic items have sufficient time for review and challenge. Key matters discussed and challenged at the Board during the year were: the Part VII transfer of business from other Group companies into the Company; the means by which the Company had implemented FCA's New Consumer Duty in relation to its open products; the migration of Phoenix Life policies to a new administration platform; the Group's Sustainability Strategy; and approval of the payment of dividends to the Company's ultimate parent. In addition to the items presented for decision, the Board also considered the forward looking approaches to the strategy for existing customer propositions and the Group's overall data strategy to include a session from the Chief Data Strategy Officer and Data Protection Officer on AI.
Culture of risk awareness and ethical behaviour	The Company operates within the overall Group Risk Management Framework. As part of this, on an annual basis, the Board approves a series of risk appetite statements for articulation throughout the Company. The Group Risk Function have created and presented their assessment of Risk Culture within the business during the year to the Risk Committee. The Dashboard considers 15 specific objectives across Purpose, Psychological Safety and Diversity & Inclusion, Governance & Controls and Leadership with assessments based on a variety of inputs to include colleague surveys and Board / Committee evaluations. In respect of remuneration, the Non-Executive Directors input into the proposed objectives and performance ratings for those individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive and their direct reports who are also Senior Management Function Holders). This ensures that these objectives promote an effective culture of risk awareness and ethical behaviour.

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	In the same way, the Board was also engaged in the review of any bespoke remuneration plans for business units, and the targets to be included in the Group's Annual Incentive Plan with respect to customer performance, in advance of their consideration by the Phoenix Group Holdings plc Remuneration Committee.
Risk appetite, risk management and internal controls	As described above, risk appetite statements are approved by the Board. Oversight of risks, risk management and internal controls is delegated for oversight by both the Board Audit Committee and Board Risk Committee in line with their Terms of Reference. Both the Head of Internal Audit and Chief Risk Officer have access to the Chair of the Board and the Audit Committee to raise any concerns directly. In addition, the Chief Risk Officer has direct access to the Chair of the Risk Committee. The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.
Board composition	Board skills and associated succession planning are subject to annual review to ensure there is an appropriate mix of skills among the Non-Executive Board members. Our Non-Executive Board members are considered to have the required knowledge to effectively challenge management and to undertake their duties appropriately. In 2023, two new Non-Executive Directors were appointed, with Ian Craston and Jora Gill joining the Board on 1 June 2023. Non-Executive Director, Margaret Hassall, retired on 31 March 2023. As a result of these changes, the Board comprises 7 Non-Executive Directors (including the Chair) and there continues to be 5 Executive Directors. Current Chair, John Lister, was considered independent on appointment to the role in 2021. There is a division of responsibility between the Non-Executive Chair, who is responsible for the leadership and effective operation of the Board, and the Chief Executive Officer, who is responsible to the Board for the overall management and operation of the Company.
Role of Executive and Non-Executive Directors	All appointment letters and associated role profiles for Non-Executive Directors specify the requirements of the role to include constructive challenge, scrutiny of management information and the integrity of financial information. The 'Matters Reserved' for the Board of the Company specifies those activities for which the Board has retained approval with agendas for each meeting reminding all directors of their responsibilities under Section 172 of the Companies Act 2006. Board meetings, as evidenced through the Board Minutes produced, are an open forum for directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the "day to day management" of the Company to be appropriately delegated through a structure of approved Delegations of Authority.
Knowledge and experience of Non-executive Directors	The experience of the Non-Executive Directors is wide across the life insurance industry and all received a comprehensive induction on the business of the Company. A skills assessment is in place which identifies an individual's area of expertise such as accountancy, with-profits management, risk management, life and pensions and investments. This assessment demonstrates that our Non-

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	Executive Directors have a substantial number of years' experience on the matters close to our Company. During the year, the Board is provided with regular education sessions to support any gaps in knowledge and to promote continuous professional development. During 2023, the Board received deep dives on the following topics: ➢ Securitisation Enhancement ➢ Strategic pension partnership solution opportunities ➢ Sustainability Strategy ➢ Technology and Architecture ➢ TCFD Reporting ➢ Actuarial reporting and MI capability improvements ➢ Consumer Duty ➢ Bermudian reinsurance ➢ Tailored Retirement Planning and Smooth Managed Funds Deep Dive ➢ Information Security and AI ➢ Existing Customer Propositions Strategy ➢ Major Model Change and Asset Capital Limited Framework ➢ Capital securitisation for benefit of ERM portfolio ➢ The Pensions Regulator Relationship & Oversight
Board time and resource	The Board met for 9 scheduled Board meetings in 2023 either in person or via video conference and 2 scheduled Sub-Committees meetings in relation to the Part VII transfer of business from other Group companies into the Company. A further 3 out of cycle meetings were held: one to consider payment of a cash remittance to the Company's ultimate parent, Phoenix Group Holdings plc; one to finalise and confirm the Company's draft Own Risk Solvency Assessment prior to its submission; and another to consider projected capital and liquidity matters. As well as the Board, a number of Board Committees responsible for overseeing Audit, Risk, Nomination, With-Profits, Investment and Model Governance matters, have also been in operation during the course of the year. The Board Nomination Committee undertakes a review of the estimated time commitment required by a Non-Executive Director to support the Company's activities on an annual basis. Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the Board Nomination Committee and Board in advance during which time it is confirmed that the time commitment required will not impact their availability for Company matters.
Management information (MI) and transparency	Each Board meeting includes a formal Chief Executive and other Company Officer reporting, together with other key Management Information ("MI") reports (which includes Customer Treatment, Customer Complaints, Financial and Operational Capacity MI), as well as reports from the Board's committees. The appointment of the Group Chief Executive Officer as Chief Executive Officer of the Company in October 2022 further strengthened the link, through management representation, between the Group and Life Boards.
Succession planning	The performance of the Chief Executive and their direct reports is considered at least annually in private sessions facilitated by the Group HR Director with the Non-Executive Directors during which more informal discussions on succession planning may take place. During 2023 the Board Nomination Committee considered Non-Executive Director succession planning matters and, in particular, the forthcoming retirements of three Board Members. A skills audit exercise was undertaken during the year to support long term succession planning. The Board formally reviewed its Succession Plan in August 2023.
Remuneration	Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements linked to

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	the Company's strategic objectives. In addition, the Non-Executive Directors consider and opine on the performance outcomes of the individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive).
Subsidiary boards	Within the scope of Board updates, there is the flexibility to consider the activities of the Company's subsidiary companies. For example, the Board receives regular updates from SunLife Limited and has also received the same for Sun Life Assurance Company of Canada (U.K.) Limited from its point of acquisition by Phoenix Group in April 2023. More broadly, a summary update of any activity of the Company's subsidiaries is provided on a six-monthly basis where appropriate. Since 1 October 2022, the Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have been executive directors of both the Company and its ultimate parent, Phoenix Group Holdings plc. Conflicts of interest are assessed for each agenda item and, where appropriate, the CEO and CFO are recused from decision making at the meeting. The Phoenix Life Companies (of which the Company is one) Board Matters Reserved clearly state those matters which are in the gift of the Board and those which require Group oversight, in support of balancing the obligations of the Company within the context of the wider Group.
Board committees	The terms of reference of the committees of the Board of the Company document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model.

Financial instruments
Details of the Company's financial risk management objectives and policies in respect of its use of financial instruments are included in note 32 to the financial statements.

Going concern

The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. Notes 31 and 32 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

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

Going Concern Stress Solvency Scenarios sets out the latest five-year forecasts for Market Down 1-in-10 and Longevity yields 1-in-10 scenarios. Base projections used are based on the final version of Annual Operating Plan ("AOP") base signed off at LifeCo Board on 19th February 2024.

The downside scenario projections reflect the impacts of market disruption in the current financial year and assume a stress period with a duration of one year from December 2023. The projections use the below stress calibrations:

- 45bps reduction in UK Swaps- 10 yr
- 39bps reduction in Euro Swaps- 10 yr
- 12bps(average of 10yr and 15yr) increase in Gilts spread rise
- Fin:c104bps Non-Finc55bps increase in Credit- A rated 15 yr
- 34bps reduction in RPI inflation- 10 yr
- EUR 4% up vs GBP on Exchange GBP vs Euro
- USD 8% up vs GBP on Exchange GBP vs USD
- Further 12% of the credit stress (Downgrades)
- 9% reduction in FTSE 100
- 9% reduction in Residential Property
- 6% reduction in Commercial Property

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For the 5 year forecast period to which the downside scenario was applied, at all times the Company is anticipated to maintain sufficient headroom to meet its Capital Management Policy ("CMP") buffer.

Stress testing has additionally been carried out against a 1 in 10 all-risks scenario and a 1 in 20 fast-moving market scenario, in accordance with the Company's CMP. The projections demonstrated that excess capital over the CMP would remain in the Company under both scenarios at the scenario low points.

Company's existing CMP calibrations remained robust and appropriate and no amendments were required.

The Company is anticipated to be able to meet headroom of liquid assets over projected cash flows including internally imposed liquidity buffers over the next 12 months under base conditions, and also under a combined 1 in 200 stress scenario, supporting cash generation in the going concern period assessed up to 30 June 2025. Liquidity is considered to be adequate to meet liabilities as they fall due.

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

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

A H Bowe	(resigned 30 April 2024)
A D Briggs	
A Cairns	(appointed 1 April 2024)
I A Craston	(appointed 1 June 2023)
K A Cook	(appointed 1 May 2024)
A B Curran	
J S Gill	(appointed 1 June 2023)
R Harris	
T W Harris	
M G Hassall	(resigned 31 March 2023)
J R Lister	
P K Mayes	(resigned 31 March 2024)
B M Meaney	
N H Poyntz-Wright	
R K Thakrar	

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

Branches
The Company currently has a branch in Hong Kong.

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

Disclosure of indemnity
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

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

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Auditor appointment

Ernst & Young LLP have reached the maximum period of service for an auditor of a Public Interest Entity under the mandatory auditor rotation requirements, and will therefore step down as the Company's auditor on completing the audit for the year ended 31 December 2023. In accordance with section 485 of the Companies Act 2006, KPMG LLP will be appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006.

On behalf of the Board

DocuSigned by:

Paul Shakespeare

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

14 June 2024

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Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company financial statements in accordance with UK generally accepted accounting practice ("UK GAAP") (UK Accounting Standards, comprising Financial Reporting Standard 102 *The financial reporting standard applicable in the UK and Republic of Ireland* ("FRS 102"), Financial Reporting Standard 103 *Insurance contracts* ("FRS 103") and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- 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 UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- State that the Company has complied with applicable UK GAAP, 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Phoenix Life Limited for the year ended 31 December 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 42, (except for that element of note 31, which is marked as unaudited) including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 ''Insurance Contracts'' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 as applied to public interest entities, 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:

- confirming our understanding of the directors' going concern assessment process and obtained the assessment which covers the period to 30 June 2025;
- with support from our actuarial team, challenging the key actuarial assumptions used in management's five-year AOP. We have observed that assumptions used in the five-year AOP form the basis for management's going concern projections;
- assessing the accuracy of management's going concern analysis by testing the inputs and the clerical accuracy of the models used;
- assessing management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluating the liquidity and solvency position of the Company by reviewing base case and downside liquidity and solvency projections that incorporate an estimated view of the potential future economic downturn;
- challenging the key assumptions, and plausibility of management actions used in management's downside scenarios to mitigate the impact of the key risks by considering the success of previous similar management actions and the robustness of the plans in the context of our understanding of the Company;
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom;
- assessing management's considerations of operational risks, including those related to OSP's and their impact on the going concern assessment;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment was approved by the Board, minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

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Based on management's assessment, we have observed that the Company continues to have surplus cash and solvency above its Solvency Coverage Ratio in a number of extreme downside scenarios.

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 the period to 30 June 2025.

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

Overview of our audit approach

Key audit matters	• Valuation of Insurance Contract Liabilities included within technical provisions - long -term business provisions, comprising the following risk areas: o Actuarial assumptions; and o Actuarial modelling; • Valuation of Equity Release Mortgages ("ERM") • Valuation of fair value hierarchy 3 ("FVH3") modelled debt securities • Part VII transfer from Standard Life Assurance Limited, Phoenix Life Assurance Limited, and Standard Life Pension Funds Limited
Materiality	• Overall materiality of £45.8m (2022: £39.3m) which represents 2% of closing net assets (2022: 2% of closing net assets).

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed.

We instructed:

- The Central Investments component team with respect to audit of investment balances and the associated income and expenses;

- The Service companies' component team to perform procedures with respect to expenses and the recharge to the Company. The Company records recharges from the Phoenix Group Management Services Limited ("PGMS") and Pearl Group Services Limited ("PGS") within operating expenses and certain baseline expenses that form part of the assumption setting process for insurance contract liabilities recognised by the Company; and

- the Standard Life International Designated Activity Company ("SLIDAC") component team to audit the SLIDAC intercompany Reinsurance receivables, Premiums written, Policyholder claims and Acquisitions costs. These balances, reported within the financial information of SLIDAC are included within the financial information of the Company as a result of a reinsurance agreement between the entities.

All other audit work was performed directly by the audit engagement team.

Details of the team performing the audit procedures and the scope of those procedures are set out below:

Component	Scope	Auditor
Phoenix Life Limited ("PLL")	Full Scope	Primary team
Central Investments Component Team	Specific Scope	EY component team
Service Companies Component Team	Specified Procedures	EY component team
SLIDAC Component Team	Specific scope	EY component team

Overall, our audit procedures covered 100% of the Company's equity and 100% of the Company's loss before tax.

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Involvement of the component team

In establishing our overall approach to the EY component teams, we determined the type of work that needed to be undertaken at the components by us, as the primary audit engagement team or by component auditors from other EY global network firms operating under our instruction.

The primary team provided detailed audit instructions to the component team which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary audit team.

Audit procedures were performed on the full scope component by the primary audit team whilst the remaining three components were audited by the EY component audit teams. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company financial statements as a whole. We followed a programme of planned virtual meetings and maintained oversight of the component teams through onsite collaboration and regular meetings. We reviewed the audit procedures performed by the component team on the specific accounts.

The work performed by the component teams gave us appropriate evidence for our opinion on the Company financial statements as a whole.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Company. The Company has explained the most significant risks from climate change on its operations in the climate change section of the Strategic Report. This forms part of the “Other information” rather than the audited financial statements and our procedures on the disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the critical accounting estimates and judgements note on pages 49-51, management has assessed climate change risks as having a limited effect on accounting judgements and estimates for the current period. The note sets out the Company’s consideration of the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments and the valuation of technical provisions.

Governmental and societal responses to climate change risks are still developing and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of the United Kingdom Generally Accepted Accounting Practice.

Our audit effort in considering the impact of climate change was focused on challenging management’s risk assessment of the impact of climate change and their resulting conclusion that there was limited effect from climate change on balances in the financial statements and the adequacy of the Company’s disclosure in the critical accounting estimates and judgements note to explain their rationale.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk

Valuation of insurance contract liabilities included within technical provisions – long term business provisions (2023 £76.1bn; 2022: £28.9bn)

Refer to Note 2 Accounting policies (a) Critical accounting estimates and judgements and (q) Technical provisions and Note 30 Technical provisions.

We considered the valuation of insurance contract liabilities included within technical provisions - long term business provisions to be a significant risk for the Company. Specifically, we considered the actuarial assumptions and models that are applied, as these involve complex and significant judgments about future events both internal and external to the business, for which small changes can result in a material impact to the resultant valuation.

We have split the risks relating to the valuation of insurance contract liabilities included within technical provisions - long term business provisions into the following component parts:

- actuarial assumptions; and
- actuarial modelling.

The specific audit procedures performed to address the significant risk are set out below. In addition, we assessed management's analysis of movements in insurance contract liabilities and obtained evidence to support large or unexpected movements as this provided important audit evidence over the valuation of insurance contract liabilities included within technical provisions - long term business provisions.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Actuarial assumptions There has been no change in our assessment of this risk from the prior year. Economic assumptions are set by management taking into account market conditions as at the valuation date and require minimal judgment. Non-economic assumptions are set based on the Company's past experience, market experience and practice, regulations and expectations about future trends. The assumptions that we consider having the most significant impact are the base and trend longevity, persistency, assured mortality and expenses. Given the recent economic volatility we place additional focus on future economic assumptions such as expense assumptions at the 2023 year-end date. These assumptions are used as key inputs into the valuation models, which use standard actuarial methodologies.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures: • obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions; • challenged and assessed whether the methodology and assumptions applied were appropriate based on our knowledge of the Company, industry standards and regulatory and financial reporting requirements; • reviewed and challenged the results of management's experience analysis, including the base longevity, persistency and assured mortality, to assess whether these justified the adopted assumptions. • in respect of longevity improvements, we evaluated the results of management's analysis on longevity trend, challenged the judgments applied by management in setting the parameters and benchmarked the output against other industry participants and the results from the industry standard Continuous Mortality Investigation ("CMI"); • assessed the expense assumptions adopted by management. We have challenged the assumed development of expenses including inflation across the AOP period, the allocation of those expenses between acquisition and maintenance and the resulting calculation of unit costs, as well as the inclusion of benefits arising from planned future management actions; • performed procedures to test that the assumptions used in the year end	We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements. We concluded the economic and non-economic assumptions have been appropriately included within the year-end actuarial models.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	valuation were consistent with the approved basis; and • benchmarked the demographic and economic assumptions against those of other comparable industry participants.	
Actuarial modelling There has been no change in our assessment of this risk from the prior year. We consider the integrity and appropriateness of models to be critical to the overall valuation of insurance contract liabilities included within technical provisions - long term business provisions. The majority of the insurance contract liabilities are modelled using the core actuarial modelling system, with the residual balance modelled outside these systems to cater for any additional required liabilities not reflected in the models. We consider the key risks to relate to i) model developments applied to the core actuarial model and ii) the appropriateness of the calculations that are applied outside of the core actuarial models	To obtain sufficient audit evidence to conclude on core actuarial modelling systems and balances calculated outside these systems, using EY actuaries as part of our audit team we performed the following procedures: • obtained an understanding of management's process for model changes to the core actuarial system and tested the design, implementation and operating effectiveness of key controls, including governance processes; • tested the system infrastructure and IT general controls of the core actuarial model; • challenged and evaluated the methodology, inputs and assumption changes made in the core actuarial modelling systems over the year; • reviewed the governance process around model changes by review of the relevant committee minutes. • assessed the results of management's analysis of movements in insurance contract liabilities to corroborate that the actual impact of changes to models was consistent with that expected when the model change was implemented; and • stratified the components of the balance modelled outside the core actuarial system as at the balance sheet date and focused our testing on those that, in our professional judgment, present a higher risk of material misstatement. As part of the testing, we gained an understanding of the rationale for balances calculated outside of the core actuarial system and assessed the appropriateness of the applied calculation methodology. In addition, in non-profit or shareholder funds we also perform an independent valuation of a sample of insurance contract liabilities which are modelled outside the core actuarial system.	We determined that the models used are appropriate, that changes to the models were implemented as intended, and that controls over management's processes for modelling insurance contract liabilities using the core actuarial modelling systems were operating effectively. We also determined that liabilities modelled outside these core actuarial modelling systems are not materially misstated.

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Valuation of Equity Release Mortgages ("ERM") (£4.3 billion: 2022: £3.7 billion)

Refer to Note 2 Accounting policies (a) Critical accounting estimates and judgements and (k) Financial instruments and Note 20 of the financial statements.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
There has been no change in our assessment of this risk from the prior year. Observable inputs are not readily available for the valuation of ERM financial investments. Consequently, management use models and other inputs to estimate their value. We consider that the key risks relating to the valuation of ERM financial investments, relates to: i) assumptions as these are largely based on non-observable inputs and are highly judgemental, and ii) the completeness and accuracy of data feeding the valuation model.	To obtain sufficient audit evidence to conclude on the valuation of ERM, we: • tested the design and operating effectiveness of key controls over management's assumption setting processes for valuing these instruments; • tested the completeness of the ERM financial investments and underlying data at the period end through independent confirmation; • tested the accuracy of mortgage data used in the valuation model by agreeing a sample of new loans to supporting evidence and validating any movements on static data over the period; • evaluated the methodology, inputs and assumptions used to value the ERM financial investments including the No Negative Equity Guarantee ("NNEG") (such as house price inflation, residential house price volatility, longevity improvement and base mortality, as well as economic assumptions such as discount rate); • validated the key assumptions by comparing them to published market benchmarks and demographic and economic assumptions used by other industry participants, to confirm that key valuation inputs were consistent with industry norms and our understanding of the instrument type and were appropriate considering the current economic volatility; and • developed our own independent model to value the ERM financial investments and compared the output to the results produced by the Company.	Based on our procedures performed on ERM assumptions and data feeding into the model we are satisfied that the valuation of the ERM financial investments is reasonable.

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Valuation of fair value hierarchy 3 ("FVH3") modelled debt securities in non-profit or shareholder funds (£5.5 billion; 2022 £2.6 billion)

Refer to Note 2 Accounting policies (a) Critical accounting estimates and judgements and (k) Financial instruments and Note 21 of the financial statements.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
There has been no change in our assessment of this risk from the prior year. We have deemed the risk to relate to FVH3 modelled debt securities, such as private placements, local authority loans and infrastructure loans where the valuation relates to assets in non-profit or shareholder funds. We consider that the key risks related to FVH3 valuation of modelled debt securities to be i) the use of complex valuation methodologies as opposed to observable prices; ii) significant judgements involved in setting the spread above risk-free rates; iii) the subjectivity surrounding the selection of the comparable bonds to derive that spread; and iv) reasonableness of credit ratings. Additionally, the valuation of these modelled debt securities for the Company has been outsourced by the Company's OSP to a separate third party which increases the risk of valuation error due to potential limitation of management's oversight over the valuation processes for these financial investments.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures: • reviewed the ISAE 3402 SOC report of the OSP covering period to 30 September 2023, including those controls over the valuation of FVH3 modelled debt securities outsourced to a third party, and determined the impact of any identified control exceptions; • obtained the bridging letter for the period 1 October 2023 to 31 December 2023 to confirm that the controls over the valuation of FVH3 modelled debt securities were operating effectively during the period; • inspected evidence of the operation of management's oversight controls over the OSPs and the third party they outsourced to; • understood the valuation process of FVH3 modelled debt securities that was outsourced by the Company's OSP to a separate third party and assessed the appropriateness of any methodology and assumption changes during the year, including an impact of the current economic volatility on economic assumptions; • engaged EY valuation specialists to evaluate the appropriateness of the valuation methodology and to calculate an independent range of reasonable values for a sample of modelled debt securities using an independent valuation model and considered reasonable alternative key assumptions based on comparable securities; • validated the accuracy of security related inputs to the	Based on the procedures performed we are satisfied that the valuation of FVH3 modelled debt securities in the non-profit and shareholder funds is not materially misstated.

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	valuation of modelled debt securities by tracing a sample of inputs to the underlying agreements and documentation; • performed independent calibration on securities by reviewing the implied rate and sector credit spreads to validate the reasonableness of credit ratings used in the comparable values assessment; and • considered the downgrade of credit ratings or changes of spread in management's credit watchlist and known market risks in our independent comparable values assessment.	

Part VII transfer from Standard Life Assurance Limited, Phoenix Life Assurance Limited, and Standard Life Pension Funds Limited

Refer to Accounting policies page 52 and Note 4 of the Financial Statements

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Management has completed a Part VII transfer of the assets and liabilities of Standard Life Assurance Limited, Phoenix Life Assurance Limited and Standard Life Pension Funds Limited to Phoenix Life Limited with effective date as at 30 September 2023. There is a risk that the valuation of the assets and liabilities at the date of transfer are not correct and that the accounting treatment and disclosure of the Part VII transfer in the financial statements is not in line with accounting standards. The risk is new in the current year.	To obtain sufficient audit evidence to conclude on the appropriateness of the Part VII transfer, we have: • obtained evidence of the agreement between the entities and evidence of the required regulatory approvals to understand the substance of the transfer. • audited the Statement of financial position of Standard Life Assurance Limited, Phoenix Life Assurance Limited and Standard Life Pension Funds Limited as at 30 September 2023 • reviewed the accounting entries made to ensure the appropriate accounting treatment has been adopted in respect of the Part VII transfer • reviewed the disclosures in the financial statements related to the Part VII transfer	Based on our procedures performed, we are satisfied that the assets and liabilities were correctly valued at the date of the transfer and that the Part VII transfer has been appropriately accounted for and disclosed in the financial statements.

In the prior year, our auditor's report included a key audit matter in relation to valuation of insurance contract liabilities included within technical provisions – long term business provisions, specifically policyholder data. The significant risk identified in prior years has primarily been driven by historical data issues that have emerged over time. Given the reduced incidence of such issues in recent years, we no longer consider this to form part of our significant risk related to insurance contract liabilities.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality
The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £45.8m (2022: £39.3m), which is 2% (2022: 2%) of closing net assets. The primary stakeholders of the Company are its shareholders (primarily concerned with capital surplus as a means of the Company providing cash to the parent company), the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') as regulators (primarily focused on balance sheet strength and solvency), and policyholders (whose main interest is solvency as it reflects the ability to pay claims). Given the focus of these stakeholders, we have determined net assets as the most appropriate basis for setting materiality.

During the course of our audit, we re-assessed initial materiality of £39.3m which was based on prior year closing net assets. We increased our materiality to £45.8m to reflect the final net assets as at 31 December 2023. We considered the impact of this on the extent of our audit procedure.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £22.9m (2022: £19.7m). We have set performance materiality at this percentage on our assessment of the risk of misstatement and our expectation of the quantum and magnitude of uncorrected misstatements.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.3m (2022: £2.0m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 31, 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 company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the relevant laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the PRA and the FCA.

- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's review of the Company's risk management framework ("RMF") and internal control processes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks

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identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Company's control environment included assessment of the consistency of operations and controls in place within the Company and the OSPs.

- The fraud risk including management override was considered to be higher within the valuation of insurance contract liabilities included within technical provisions – long term business provisions. We considered management override risk to be higher in this area due to the significant judgements and estimates involved.

  Our procedures in respect of management override, included:

  - Reviewing accounting estimates for evidence of management bias. Supported by our actuarial team and specialists, we assessed if there were any indicators of management bias in the valuation of insurance contract liabilities;
  - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual revenue manual journals; and
  - Evaluating the business rationale for significant and/or unusual transactions.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the PRA and FCA.

- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 30 September 2004 to audit the financial statements for the year ending 31 December 2004 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 December 2004 to 31 December 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

DocuSigned by:
Ernst & Young LLP
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Andy Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
***17** June 2024*

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Statement of comprehensive income
for the year ended 31 December 2023

Long term business technical account	Notes	2023 £m	2022 £m
Gross premiums written	5	7,278	5,584
Outward reinsurance premiums	6	(1,895)	(1,573)
Earned premiums, net of reinsurance		5,383	4,011
Other technical income	7	300	129
Investment income/(expense)	8	1,070	(272)
Unrealised gains/(losses) on investments	8	10,240	(10,256)
Claims paid:			
Gross amount		(4,813)	(3,057)
Reinsurers' share		1,738	1,132
Claims paid net of reinsurance		(3,075)	(1,925)
Change in provision for claims:			
Gross amount		(9)	(41)
Reinsurers' share		1	(2)
Change in provision for claims net of reinsurance		(8)	(43)
Claims incurred net of reinsurance		(3,083)	(1,968)
Change in long term business provision:			
Gross amount		(8,102)	6,915
Reinsurers' share		1,126	(287)
Change in long term business provision net of reinsurance		(6,976)	6,628
Change in technical provision for linked liabilities net of reinsurance		(5,637)	2,046
Change in technical provisions net of reinsurance		(12,613)	8,674
Net operating expenses	9	(904)	(411)
Investment expenses and charges	8	(146)	(229)
Other charges	10	(47)	(11)
Transfer from fund for future appropriation		49	131
Tax credit attributable to the long term business	13	4	109
Balance on long-term business account		253	(93)

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Non-technical account	Notes	2023 £m	2022 £m
Balance on long term business technical account		253	(93)
Tax charge on long term business	13	37	12
Balance on long term technical account before tax		290	(81)
Investment income	8	24	33
Unrealised gains/(losses) on financial assets	8	1	(14)
Profit/(loss) on other activities		25	19
Profit/(loss) on ordinary activities before tax		315	(62)
Tax charge on ordinary activities	13	(39)	(12)
Profit/(loss) for the year		276	(74)
Total other comprehensive income/(expense) for the year		276	(74)

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Statement of financial position - assets
as at 31 December 2023

	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m
ASSETS			
Intangible assets	15	78	88
Investments			
Land and buildings	16	691	300
Investments in group undertakings and participating interests	17	32,763	9,019
Other financial investments	18	49,324	23,448
		82,778	32,767
Assets held to cover linked liabilities	23	112,456	18,423
Reinsurers' share of technical provisions			
Long-term business provision	30	6,325	2,729
Claims outstanding		4	2
Technical provisions for unit-linked liabilities	30	9,939	6,572
		16,268	9,303
Debtors			
Debtors arising out of direct insurance operations - policyholders		190	5
Debtors arising out of reinsurance operations		72	63
Other debtors	24	2,150	1,129
Deferred tax asset	22	149	42
		2,561	1,239
Other assets			
Cash at bank and in hand	25	484	212
		484	212
Prepayments and accrued income			
Deferred acquisition costs	26	233	40
Other prepayments and accrued income	27	181	126
		414	166
Total Assets		215,039	62,198

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Statement of financial position – equity and liabilities
as at 31 December 2023

	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	28	69	69
Share premium		1	1
Other reserves	29	1,828	1,317
Profit and loss account		332	591
Total equity and shareholders' funds		2,230	1,978
Liabilities			
Fund for future appropriations		937	446
Technical provisions			
Long-term business provision	30	76,063	28,895
Claims outstanding		616	390
		76,679	29,285
Technical provisions for linked liabilities	30	123,531	25,035
Provisions for other risks			
Deferred tax liability	22	-	37
Other provisions	33	34	28
		34	65
Deposits received from reinsurers		2,383	211
Creditors			
Creditors arising out of direct insurance operations		43	26
Creditors arising out of reinsurance operations		118	13
Amounts owed to credit institutions	35	45	46
Other creditors including taxation and social security	34	8,934	5,060
		9,140	5,145
Accruals and deferred income	36	105	33
Total liabilities		212,809	60,220
Total equity and liabilities		215,039	62,198

On behalf of the Board

DocuSigned by:

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A Cairns
Director

14 June 2024

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

	Called up share capital (note 28)	Share premium	Other reserves (note 29)	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2023	69	1	1,317	591	1,978
Profit for the financial year	-	-	-	276	276
Total comprehensive income for the financial year	-	-	-	276	276
Capital contribution received	-	-	250	-	250
Capital contribution repayment	-	-	(850)	-	(850)
Part VII transfer in (note 4)	-	-	1,143	-	1,143
Part VII transfer out (note 4)	-	-	(32)	-	(32)
Dividends paid on ordinary shares (note 14)	-	-	-	(535)	(535)
Balance at 31 December 2023	69	1	1,828	332	2,230

	Called up share capital (note 28)	Share premium	Other reserves (note 29)	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2022	69	1	1,184	665	1,919
Loss for the financial year	-	-	-	(74)	(74)
Total comprehensive expense for the financial year	-	-	-	(74)	(74)
Capital contribution received	-	-	508	-	508
Capital contribution repayment	-	-	(375)	-	(375)
Balance at 31 December 2022	69	1	1,317	591	1,978

Of the above, £2,110m (2022: £1,877m) is considered distributable.

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Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 43 to 108 were authorised by the board of Directors for issue on 11 June 2024.

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

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

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

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

Going Concern
The Board has considered financial projections which demonstrate the ability of the Company to withstand market shocks in a range of scenarios, including very severe ones. In assessing the appropriateness of the going concern basis, the Board considered base case and plausible downside liquidity and solvency projections. The downside scenario used reflected the impacts of market disruption in the latter part of the current financial year and applied a stress period which incorporated a UK Sovereign downgrade amongst other appropriate stress calibrations.

The projections demonstrated that excess capital would remain in the Company under the downside scenario, supporting cash generation in the going concern period to 30 June 2025, and that liquidity was adequate to meet liabilities as they fell due. Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of compliance
The financial statements have been prepared in accordance with the Companies Act 2006 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies.

The financial statements are prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") (together "UK GAAP").

The financial statements for the year ended 31 December 2022 were prepared under UK adopted international accounting standards. The date of transition to FRS 102 and FRS 103 was 1 January 2022. Information on the adjustments arising as a result of the transition is given in note 42.

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

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

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2. Accounting Policies

a) Non-technical account allocation

The Company contains only long-term business, with any other activities within the Group managed via separate entities. The Company manages its position primarily on a Solvency basis. As such there is no concept of a separate long-term insurance fund, with all assets presumed to be available to meet obligations to policyholders and support the solvency position of the Company.

Income and expenses on certain prescribed items such as intercompany loans and investments in strategic subsidiaries (see note 8) has been allocated to the non-technical account on the basis that it relates to Group-wide activities. All other income and expenses have been attributed to the technical account.

b) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Disclosures of judgements made by management in applying the Company's accounting policies include those that have the most significant effect on the amounts that are recognised in the Company's financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Financial statement area	Critical accounting estimates, judgements and assumptions	Related notes
Technical provisions, including for linked liabilities.	Technical provisions, use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2023, there were no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 32. Accounting for technical provisions, including for linked liabilities ("technical provisions") is discussed in more detail in accounting policy (q) with further detail of the key assumptions made in determining technical provisions included in the notes to the accounts. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends. The valuation of technical provisions is sensitive to the assumptions which have been applied in their calculation. Details of sensitivity analysis carried out is set out within note 32.	30
Guarantees and options	The Company is required to estimate the value of future guarantees and options for the with profits contracts. These estimates are subject to uncertainty and may not represent the ultimate amounts paid out to satisfy claims by policyholders (even before allowing for future enhancements to distribute the surplus assets). However, this risk of estimation uncertainty is offset, due to the fact that in all reasonably foreseeable circumstances, any change in the estimates of the value of options and guarantees will result in an offsetting movement in either asset shares or the fund for future appropriations ("FFA"). Since the FFAs is presented as a liability, the total liabilities recognised for contracts within the with profits funds is not subject to significant estimation uncertainty. The measurement of investment contracts is mainly comprised of the value of the underlying units and is not subject to significant estimation uncertainty.	30

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Fair value of financial assets and liabilities	The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (k). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values. Longevity contracts classified as derivatives are valued by models on actuarial bases. These are unobservable inputs and are classified as Level 3 financial instruments.	21
Investment property	The fair value of commercial investment property is based on valuations provided by external property valuation experts having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued, having regard to the condition of the property and local market conditions. These valuations are in accordance with the Royal Institute of Chartered Surveyors ("RICS") guidelines. Management makes an assessment on 31 December to determine if these valuations will be adopted and if any valuation adjustments are required.	16
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. Forecasts of future profitability are made which by their nature involve judgement. 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 (f).	22
Investment in subsidiaries	The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments. The accounting for both types of subsidiaries, including determining whether the company has control over its subsidiaries for investment purposes, is discussed in more detail in accounting policy (j). Both types of subsidiary are held at fair value through profit and loss and are subject to the factors set out in the critical estimate above.	17
Business combinations under common control	The Company previously did not have an accounting policy relating to business combinations under common control. In line with UK GAAP, the Company has recognised the gain on the transferred assets and liabilities, measured at the carrying value in the transferring company, within equity.	4

How climate risk affects our accounting estimates and judgments

In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

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The majority of the Company's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk. For the valuation of level 3 financial instruments, there are no material unobservable inputs that the Directors consider particularly sensitive to climate risk. Note 32 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk.

Insurance and investment contract liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2023 there are no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 32.

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

c) Income recognition

Gross premiums written

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

For linked business the due date for payment may be taken as the date when the liability is established.

Reinsurance premiums

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

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

Fees and commissions

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

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

Investment income and expense

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

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

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

Unrealised gains/ losses

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

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

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Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

d) Transfers of business

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

e) Benefits, claims and expenses recognition

Gross benefits and claims

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

***Reinsurance* claims**

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

Other charges

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

f) Tax

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

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

Deferred tax is recognised in respect of timing differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

g) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

h) Intangible assets

Acquired in-force business

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

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

i) Investments: Land and buildings

Land and buildings

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

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

Investment property

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

j) Investments: Investment in group undertakings and participating interests

Investments in group undertakings

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

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

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

Participating interests

Investments in associates that are held for investment purposes are measured at fair value through profit or loss, as permitted by FRS 102. There are no investments in associates which are of a strategic nature.

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in, but not to control or jointly control, the financial and operating policy decisions of the investee.

k) Financial instruments

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

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

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

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

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

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

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

Financial assets are measured at amortised cost where they have:

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

Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Cash, receivables and certain loans and deposits are non-derivative financial assets with fixed or determinable payments. These assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the asset. All transaction costs directly attributable to the acquisition are also included in the cost of the asset. Subsequent to initial recognition, these assets are carried at amortised cost, using the effective interest method.

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

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

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

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

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

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

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

For those credit exposures for which credit risk has not increased significantly since initial recognition, the Company measures loss allowances at an amount equal to the total ECL resulting from default events that are possible within 12 months after the reporting date ("12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company measures and recognises an allowance at an amount equal to the ECL over the remaining life of the exposure, irrespective of the timing of the default ("Lifetime ECL"). If the financial asset becomes 'credit-impaired' (following significant financial difficulty of issuer/borrower, or a default/breach of a covenant), the Company will recognise a Lifetime ECL. ECLs are derived from unbiased and probability-weighted estimates of expected loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

m) Deferred acquisition costs
Acquisition costs, comprising all direct and indirect costs arising from the conclusion of non-profit insurance and investment contracts are deferred as an explicit acquisition cost asset. Costs are not deferred where they relate to with-profits funds.

For insurance contracts, this asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. For investment contracts, this asset is amortised over the life of the contracts as the related revenue is recognised.

Deferred acquisition cost ("DAC") amortisation is expensed within net operating expenses in the Long term business technical account. At the end of each accounting period, DAC are reviewed for recoverability, by category, against future margins from the related policies in force at the period end.

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with unit-linked investment contracts are deferred. Trail or renewal commission on non-participating investment contracts where the Company does not have an unconditional legal right to avoid payment, is deferred at inception of the contract and an offsetting liability for contingent commission is established.

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

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

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

Contracts under which the transfer of insurance risk to the Company from the policyholder is not significant are classified as investment contracts.

Some insurance and investment contracts contain a DPF. This feature entitles the policyholder to additional discretionary benefits as a supplement to guaranteed benefits. Investment contracts with a DPF are recognised, measured and presented as insurance contracts.

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

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

q) Technical provisions

Long-term business provision – insurance contracts & investment contracts with DPF, Insurance contract liabilities for non-participating business, other than unit-linked insurance contracts, are calculated on the basis of current data and assumptions, using either a net premium or gross premium method. Where a gross premium method is used, the liability includes allowance for prudent lapses. Negative policy values are allowed for on individual policies:

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

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

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

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

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profit business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 30.

Demutualisation

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

Under the Scheme the residual estate of the HWPF exists to meet amounts which may be charged to the HWPF under the Scheme. However, to the extent that the Board of the Company is satisfied that there is an excess residual estate, it shall be distributed over time as an enhancement to final bonuses payable on the remaining eligible policies invested in the HWPF. This planned enhancement to the benefits under with-profits contracts held in the HWPF is included in the future policy related liabilities under the realistic basis resulting in a realistic surplus of £nil. Applying the policy noted above, this planned enhancement is therefore included within the measurement of participating contract liabilities.

The Scheme provides that certain defined cash flows (recourse cash flows) arising in the HWPF on specified blocks of UK and Irish business, both participating and non-participating, may be transferred out of that fund when they emerge, being transferred to the Company's Shareholder Fund or Proprietary Business Fund ("PBF") and thus accrue to the ultimate benefit of equity holders of Phoenix Group. Under the Scheme such transfers are subject to constraints to protect policyholders. The Scheme also provides for additional expenses to be charged by the PBF to the HWPF in respect of German branch business.

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profit business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 30.

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

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

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

The value of PVFP is determined in a manner consistent with the measurement of liabilities. In particular, the methodology and assumptions involve adjustments to reflect risk and uncertainty, which are based on current estimates of future experience and current market yields and allow for market consistent valuation of any guarantees or options within the contracts. The value is also adjusted to remove the value of capital backing the non-profit business if this is included in the realistic calculation of PVFP. The principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 30.

Technical provisions for linked liabilities
The technical provisions for linked liabilities include liabilities for unit-linked insurance contracts and unit-linked investment contracts (investment contracts without DPF).

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

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

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

For unit-linked insurance contract liabilities the provision is based on the fund value, together with an allowance for any excess of future expenses over charges, where appropriate.

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

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

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

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

The with-profits funds are closed to new business and as required by FRS 103, the whole of the FFA has been classified as a separate liability.

If the realistic value of liabilities to policyholders exceeds the value of the assets in any with-profits fund, the FFA is valued at £nil.

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

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

r) Borrowings
Interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised as income or an expense in the Statement of comprehensive income over the period of the borrowing using the effective interest method.

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

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

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

t) Leases
The Company is party to arrangements related to property that are determined to contain a lease. Under FRS 102, the leased property is classified as investment property. The Company recognises the asset and a lease liability at the lease commencement date. Lease liabilities are presented under assets held to cover linked liabilities and assets are presented either within investment property or assets held to cover linked liabilities in the Statement of financial position.

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

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

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

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

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

3. New and amended accounting standards

During the year, an amendment was made to FRS 102 to introduce a temporary exception to the accounting requirements for deferred taxes, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income tax rules as published by the Organisation for Economic Co-Operation and Development ("OECD").

A Financial Reporting Exposure Draft, FRED 82 Draft amendments to FRS 102 Periodic Review was published in December 2022, and incorporated into FRS 102 in March 2024 with an effective date of 1 January 2026. FRED 82 included a new model of revenue recognition, a new model of lease accounting and various other incremental improvements and clarifications. The impact of such changes on the Company continues to be assessed and is not expected to be material.

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4. Transfers of business

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

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

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

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

The following table presents the balances transferred from the transferring entities to the Company. Assets and liabilities were transferred for nil consideration.

	SLAL £m	PLAL £m	SLPF £m	Reinsurance and interfund collapse £m	Total £m
Assets					
Land and buildings	410	13	-	-	423
Investments in group undertakings and participating interests	23	-	-	-	23
Other financial investments	33,781	9,113	7	-	42,901
Assets held to cover linked liabilities	87,881	261	-	-	88,142
Reinsurers' share of technical provisions - Long-term business provision	2,089	484	5	(106)	2,472
Reinsurers' share of technical provisions - Technical provisions for unit-linked liabilities	2,377	1,335	-	(1,335)	2,377
Debtors arising out of direct insurance operations - Policyholders	2	-	-	-	2
Debtors arising out of reinsurance operations	1	-	-	-	1
Other debtors	941	1116	-	(1)	2,056
Deferred tax asset	48	50	-	-	98
Cash at bank and in hand	122	62	-	-	184
Deferred acquisition costs	197	-	-	-	197
Other prepayments and accrued income	35	37	-	-	72
Total assets	127,907	12,471	12	(1,442)	138,948
Liabilities					
Fund for future appropriations	(309)	(237)	-	-	(546)
Technical provisions - Long-term business provision	(31,099)	(8,455)	(5)	106	(39,453)
Technical provisions - Claims outstanding	(351)	(174)	-	-	(525)
Technical provisions for linked liabilities	(90,763)	(1,599)	-	1,335	(91,027)
Other provisions	(20)	(3)	-	-	(23)
Deposits received from reinsurers	(2,092)	-	-	-	(2,092)
Creditors arising out of direct insurance operations	(1)	(4)	-	-	(5)
Creditors arising out of reinsurance operations	(63)	(15)	-	-	(78)
Amounts owed to credit institutions	-	(14)	-	-	(14)
Other creditors including taxation and social security	(2,582)	(1,398)	-	1	(3,979)
Accruals and deferred income	(55)	(8)	-	-	(63)
Total liabilities	(127,335)	(11,907)	(5)	1,442	(137,805)
Net assets transferred to the Company	572	564	7	-	1,143

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Transfer of the business to other entities
On 1 January 2023, the Company completed a Part VII transfer of its Irish, German and Icelandic business to PLAEDAC.
Prior to the Part VII transfer, the sale of this business was agreed at a sale price equal to 108% of the Solvency II Best Estimate Liabilities, plus a transfer price adjustment based on 8% of the annuity business transferred along with a £10m payment to compensate PLAEDAC for taking on the With-Profits policies.

At the Part VII transfer, PLAEDAC received annuity, non-profit, unit linked and with-profit liabilities from the Company. Of these, the unit linked and with-profits liabilities were simultaneously reinsured back to the Company in a linked transaction. The inward reinsurance occurs after the Part VII transfer.

The transfer and associated reinsurance arrangements were deemed to be a linked transaction and therefore accounted for as a single transaction.

The following table represents the assets and liabilities transferred to PLAEDAC net of the linked reinsurance transaction.

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

5. Premium analysis

Gross premiums written	2023 £m	2022 £m
Direct	7,105	5,571
Reinsurance accepted	173	13
	7,278	5,584

Direct business is analysed as follows:

	2023 £m	2022 £m
Individual business	1,212	793
Group contracts	5,893	4,778
	7,105	5,571
Regular premiums	572	521
Single premiums	6,533	5,050
	7,105	5,571
Participating contracts	70	27
Non-participating contracts	6,979	5,476
Linked business (excluding investment contracts without DPF)	56	68
	7,105	5,571

The majority of business is written in the UK.

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6. Outward reinsurance premiums

The Company has quota share reinsurance and swap agreements with reinsurers in respect of longevity risk and investment risk associated with pension liabilities acquired via BPA transactions. Premiums ceded under these agreements during the year totalled £1,470m (2022: £1,083m).

Outward reinsurers comprise:	2023 £m	2022 £m
Quota share reinsurance premiums	1,372	927
Longevity swap payments	496	618
Reinsurance premiums ceded under on-going reinsurance arrangements	27	28
	1,895	1,573

7. Other technical income

	2023 £m	2022 £m
Fee income from investment contracts without DPF	264	127
Fees and commissions	1	-
Amortisation of deferred income	2	1
Other income	33	1
Total other technical income	300	129

8. Investment income and expense

	Technical account		Non-technical account	
	2023 £m	2022 £m	2023 £m	2022 £m
Interest income on financial assets at FVTPL	980	610	-	-
Dividend income	1,178	585	-	-
Rental income	72	20	-	-
Income from group undertakings	10	11	24	33
Realised losses on financial assets at FVTPL	(1,170)	(1,498)	-	-
Total investment income/(expense)	1,070	(272)	24	33
Unrealised gains/(losses) on investments:				
Financial instruments at FVTPL	10,397	(10,164)	-	-
Land and buildings	(19)	(43)	-	-
Investment in subsidiaries	(2)	-	1	(14)
Investment property	(128)	(10)	-	-
FX losses	(8)	(39)	-	-
Net unrealised gains/(losses) on investments	10,240	(10,256)	1	(14)
Investment expenses and charges	(146)	(229)	-	-
Total investment return	11,164	(10,757)	25	19

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9. Net operating expenses

	2023 £m	2022 £m
Acquisition costs incurred	174	83
Acquisition costs deferred	(1)	(3)
Amortisation of deferred acquisition costs	5	2
Administration expenses	38	(3)
Annual management charges payable under reinsurance arrangements	10	15
Other expenses	678	317
Total operating expenses	904	411

Other expenses includes outsourcing expenses of £530m (2022: £302m), portfolio premium adjustments of £132m (2022: £nil) and the amortisation of intangible assets £10m (2022: £11m) detailed in note 15.

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

10. Other charges

	2023 £m	2022 £m
Interest expense:		
Financial liabilities at FVTPL	47	11
Total other charges	47	11

11. Directors' remuneration

	2023 £000	2022 £000
Remuneration	903	998
Share option schemes and other long-term benefits	562	840
Contributions to money purchase pension schemes	3	1
Total Directors' emoluments	1,468	1,839

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

	2023 Number	2022 Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	3	3
Number of Directors who exercised share options during the year	2	5

	2023 £000	2022 £000
Highest paid Director:		
Remuneration	216	265
Long term benefits	232	168

The highest paid Director exercised share options during the year.

The Executive Directors are employed by either PGMS, Standard Life Assets and Employee Services Limited ("SLAESL") or ReAssure UK Services Limited ("RUKSL"). The Non-Executive Directors are not employed but provide their services via a letter of appointment. For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

12. Auditor's remuneration

	2023	2022
	£000	£000
Audit of the Company's financial statements	2,053	1,915

During the financial year ended 31 December 2023, Ernst & Young LLP acted as the Company's external auditor. Auditors' remuneration for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of Phoenix Group Holdings plc, the Company's ultimate controlling party, are required to disclose fees in respect of non-audit services on a consolidated basis.

13. Tax (credit) / charge

Current year tax (credit)/charge	Technical account		Non-technical account	
	2023	2022	2023	2022
	£m	£m	£m	£m
Current tax:				
UK Corporation tax	47	-	2	-
Overseas tax	(2)	(1)	-	-
	45	(1)	2	-
Adjustment in respect of prior years	-	1	-	-
Total current tax	45	-	2	-
Deferred tax:				
Origination and reversal of temporary differences	(25)	(115)	-	-
Change in the rate of UK corporation tax	(12)	2	-	-
Tax losses previously unrecognised	(5)	-	-	-
Adjustment in respect of prior years	(7)	4	-	-
Total deferred tax	(49)	(109)	-	-
Total tax (credit)/charge	(4)	(109)	2	-
Attributable to:				
- policyholders (long term business)	(41)	(121)	-	-
- owners (ordinary activities)	37	12	2	-
Total tax (credit)/charge	(4)	(109)	2	-

The Company, as a proxy for policyholders in the UK, is required to pay taxes on investment income and net investment gains each year. Accordingly, the tax benefit or expense attributable to UK life assurance policyholder earnings is included in the income tax expense.

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Reconciliation of non-technical account tax charge

	2023 £m	2022 £m
Profit / (loss) before tax attributable to the owners	315	(62)
Tax at standard UK rate of 23.5% (2022: 19%)	74	(12)
Non-taxable income and gains	(4)	(5)
Adjustment to owners' tax in respect of prior years	(7)	2
Overseas taxes	(2)	-
Impairment of valuation of subsidiaries	-	3
Different basis of taxation for UK life insurance companies'	9	22
Tax losses previously unrecognised	(5)	-
Deferred tax rate change	(12)	2
Other	(14)	-
Tax charge attributable to owners	39	12

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

The Company has applied the disclosure exemptions available as the required equivalent tax disclosures are presented in the consolidated financial statements of the Group, in which the Company is included.

14. Dividends on ordinary shares

	2023 £m	2022 £m
Interim dividend for 2023 at 774p per share (2022: nil)	535	-
	535	-

15. Intangible assets

	Acquired in-force business	
	2023 £m	2022 £m
Cost		
At 1 January and at 31 December	388	388
Amortisation		
At 1 January	(300)	(289)
Amortisation charge for the year	(10)	(11)
At 31 December	(310)	(300)
Carrying amount		
At 31 December	78	88
Amount recoverable after 12 months	69	78

Acquired in-force business is amortised over the estimated life of the contracts on a basis which recognises the emergence of the economic benefits. The remaining estimated life of the contracts is approximately 12 years.

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16. Investments: Land and Buildings

	2023 £m	2022 £m
Current value		
Freeholds	664	267
Leaseholds with a term of over 50 years	27	33
	691	300

(a) Investment property	2023 £m	2022 £m
Balance at 1 January	300	336
Additions (resulting from expenditure capitalised)	6	4
Disposals	(16)	(7)
Net loss from fair value adjustments	(22)	(33)
Part VII transfer	415	-
Balance at 31 December	683	300
The fair value of property can be analysed as:		
Commercial investment property	641	256
Residential property reversions	42	44

	2023 £m	2022 £m
Investment property net book value based on historic cost	294	141

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

Fair value measurement

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

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

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

Residential property reversions
The residential property reversions arise from sales of the NPI Extra Income Plan. These interests in customers' properties that the Company will realise upon their death are valued using a discounted cash flow ("DCF") model based on the Company's proportion of the current open market value, discounted for the lifetimes of the policyholders derived from published mortality tables. The open market value is measured using RICS valuations. The individual properties are valued triennially and indexed using regional house price indices to the balance sheet date. The residential property reversions have been substantially refinanced under the arrangements with Santander described in note 35.

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

Description	Valuation technique	Significant inputs	Unobservable input value	
			2023	2022
Commercial investment property	RICS valuation	Expected income per square foot	£16.99 weighted average	£19.86 weighted average
		Capitalisation rate	6.17% weighted average	6.26% weighted average
Residential property reversions	Internally developed model and RICS valuations	Mortality rate	111% IFL92C15 (Female) 111% IML92C15 (Male)	111% IFL92C15 (Female) 111% IML92C15 (Male)
		House price inflation	3 year RPI rate plus 0.75%	3 year RPI rate plus 0.75%
		Discount rate	3 year swap rate plus 1.7% margin	3 year swap rate plus 1.7% margin
		Deferred possession rate	3.7%	3.7%

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

	2023 £m	2022 £m
Less than 1 year	23	13
1 to 5 years	86	30
Over 5 years	67	38
Total	176	81

	2023 £m	2022 £m
Direct operating expenses in respect of:		
Investment properties that did generate rental income in the year	22	1
Investment properties that did not generate rental income in the year	4	-
	26	1

(b) Land and buildings	2023 £m	2022 £m
Balance at 1 January	-	-
Part VII Transfer	8	-
Balance at 31 December	8	-

	2023 £m	2022 £m
Land and buildings net book value based on historic cost	8	-

The revaluation effective date is 31st December 2023.

The methods and assumptions used to value land and buildings are the same as those for investment property.

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17. Investments: Investments in group undertakings and participating interests

	Cost		Current Value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Subsidiaries held for strategic purposes	70	66	87	64
Subsidiaries held for investment purposes	27,988	8,060	30,303	8,087
Investment in associate	564	438	349	256
Total	28,622	8,564	30,739	8,407
Interest in associate long-term fund investments	2,038	544	1,840	612
Debt securities issued by, and loans to group undertakings and associate long-term fund investments	181	-	184	-
Total	2,219	544	2,024	612

Refer to note 41 for further information on the related undertakings of the Company.

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

The associate of the Company is UK Commercial Property REIT Limited (“UKCP REIT”), a property investment company which is domiciled in Guernsey and is admitted to the official list of the UK Listing Authority and to trading on the London Stock Exchange. Its registered office is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands GY1 3QL. As at 31 December 2023, the Company held 43.39% (2022: 33.73%) of the issued share capital of UKCP REIT.

On 29 November 2018 the Company entered into four stock lending arrangements, lending equity share holdings in UKCP REIT to strategic wholly owned subsidiaries Phoenix SPV1 Limited, Phoenix SPV2 Limited, Phoenix SPV3 Limited and Phoenix SPV4 Limited (“the SPVs”). Under the arrangements the SPVs agreed to pass on any dividends received to the Company and therefore the Company continues to retain the risks and rewards of its investment in UKCP REIT, and recognise it on the Statement of Financial Position as an investment in associate. The value of the shares lent is equal to the value of the investment in associate shown above. There is no contractual maturity date in respect of the agreements.

As the shares of the associate are traded on an active market, the fair value measurement of the associate has been categorised as a level 1 fair value. The fair value measurements of the investment in subsidiaries held for investment purposes are classified in accordance with the principles in note 21, and information on the valuation methodology and hierarchy is given in that note.

The fair value for the investment in subsidiaries held for strategic purposes is determined with reference to their Solvency II net asset value, which is considered to approximate to fair value. This is categorised as a Level 3 fair value.

The loans to group undertakings and associate long-term fund investments represents a series of loans to a subsidiary, Standard Life Assurance (HWPF) Luxembourg S.a.r.l. and its subsidiaries for the purposes of purchasing investment property. There is no specified end date and is categorised as a Level 2 fair value.

18. Investments: Other financial investments

	Cost		Current value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Fair value through profit and loss				
Equities	202	128	188	131
Variable rate income securities	8,355	4,046	8,078	3,591
Fixed rate income securities	42,383	22,656	37,295	18,752
Derivative assets	203	139	2,136	495
Unit trusts and other pooled investments	1,612	485	1,620	477
Amortised cost				
Loans to policyholders secured by insurance policies	7	2	7	2
Total	52,762	27,456	49,324	23,448

	Carrying Value 2023	Carrying Value 2022
	£m	£m
Amounts included in the above relating to listed investments:		
Equities	116	104
Variable rate income securities	7,221	3,203
Fixed rate income securities	24,123	9,353
Total	31,460	12,660

19. Derivatives

The Company purchases derivative financial instruments in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The Company does not typically hold derivatives for the purpose of selling or repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The Company also holds derivatives to hedge financial liabilities denominated in foreign currency.

All derivative instruments have been classified as held for trading and are not part of a designated hedging relationship. The Company pledges and receives collateral in respect of its derivative positions. Further information is provided in note 20.

The Company has in place longevity swap arrangements with corporate pension schemes which do not meet the definition of insurance contracts under the Company's accounting policies. Under these arrangements the majority of the longevity risk has been passed to third parties.

The derivative assets and liabilities recognised are shown below.

The fair values of derivative financial instruments are:

	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
	£m	£m	£m	£m
Forward currency	46	6	22	14
Interest rate swaps	1,316	2,044	138	406
Inflation swaps	169	136	162	47
Cross currency swaps	98	169	1	401
Stock index futures	7	55	20	1
Fixed income futures	2	56	-	150
Longevity swap contracts	230	100	152	34
Equity options	106	106	-	-
SWAP options	162	60	-	-
Other	-	1	-	2
	2,136	2,733	495	1,055

20. Financial assets and liabilities

Expected settlement dates	Total	Amounts recoverable after 12 months	Total	Amounts recoverable after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial assets				
Financial assets at amortised cost				
Loans and deposits	192	192	3	-
Financial assets at fair value through profit or loss				
Equities	2,304	1,625	492	492
Variable rate income securities	8,078	7,292	3,591	3,590
Fixed rate income securities	37,295	36,583	18,750	18,402
Derivative assets	2,136	2,058	495	455
Unit trusts and other pooled investments	31,646	13,376	8,816	8,816
Assets held to cover linked liabilities	108,655	21,167	18,233	18,228
Reinsurers' share of investment contracts without discretionary participation features	9,811	-	6,547	-
	200,117	82,293	56,927	49,979

	Total	Amounts due for settlement after 12 months	Total	Amounts due for settlement after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	2,733	1,896	1,055	934
Investment contracts without discretionary participation features	119,179	-	22,478	-
Deposits received from reinsurers	2,383	2,006	211	190
Assets held to cover linked liabilities	9	7	7	-
Other Creditors	4,293	3,819	3,498	3,106
Amounts owed to credit institutions	45	45	46	46
	128,642	7,773	27,295	4,276

Due to the nature of equities, collective investment schemes and reinsurers’ share of investment contract liabilities, there is no fixed term associated with these items.

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ERM loans	2023 £m	2022 £m
Legal title held by:		
Loan originators	3,739	3,163
Fellow subsidiaries	526	557
	4,265	3,720
Beneficial interest transferred to strategic subsidiaries in the year	496	1,212

The Company has a beneficial interest in a portfolio of ERM loans, included within fixed rate income securities. The legal title to certain loans resides with PGMS and PGS, fellow group companies.

On 15 March 2023, the Company transferred the beneficial interest of £182m of ERM loans to Phoenix ER6 Limited ("PER6L"), a wholly owned subsidiary, in return for notes issued by PER6L.

On 16 November 2023, the Company transferred the beneficial interest of a further £314m of ERM loans to PER6L in return for notes issued by PER6L.

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

The Fixed Rate Loan Notes accrue interest based on a fixed schedule of cashflows and are repayable on specified dates. The Junior Loan Notes pay interest to the extent that surplus funds are available on the specified dates and have a long stop repayment date of the 50th anniversary of the issue of the notes. The loan notes are included in other creditors. The Loan Notes issued in 2020 onwards have an improved credit rating and are more resilient to financial shocks compared to those issued previously.

Offsetting financial assets and financial liabilities

The Company has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2023 (2022: none). The exception to this is assets held to cover linked liabilities, as detailed in note 23. Unit linked funds which cover linked liabilities contain both assets and liabilities and hence the liabilities have been offset against the assets when reporting the total of assets held to cover linked liabilities.

The Company's over the counter ("OTC") derivatives are all subject to an International Swaps and Derivative Association ("ISDA") master agreement, which is considered a master netting agreement. Such agreements do not meet the criteria for offsetting in the Statement of financial position as the Company has no current legally enforceable right to offset recognised financial instruments. Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the Statement of financial position as the Company does not have permission to sell or re-pledge, except in the case of default. The table below contains disclosures related to financial assets and financial liabilities recognised in the Statement of financial position that are subject to enforceable master netting arrangements or similar agreements.

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

At 31 December 2023

	OTC derivatives	Reinsurance	Stock lending
	£m	£m	£m
Collateral accepted			
Not recognised	502	4,195	871
Recognised assets	677	208	-
Recognised liabilities	(677)	(208)	-
Maximum exposure to credit risk	2,108	4,262	1,080
Risk mitigated by use of collateral	(2,072)	(4,123)	(809)
Remaining risk	36	139	271
Collateral pledged			
Pledged as collateral	1,590	-	-
In respect of liabilities of	2,625	-	-

At 31 December 2022

	OTC derivatives	Reinsurance	Stock lending
	£m	£m	£m
Collateral accepted			
Not recognised	502	2,613	997
Recognised assets	113	211	-
Recognised liabilities	(113)	(211)	-
Maximum exposure to credit risk	475	2,771	1168
Risk mitigated by use of collateral	(371)	(2,584)	(912)
Remaining risk	104	187	256
Collateral pledged			
Pledged as collateral	1,059	-	-
In respect of liabilities of	903	-	-

Credit risk on exchange traded derivative assets of £13m (2022: £26m) is mitigated through regular margining and the protection offered by the exchange.

Buy-In Arrangements
On 19 December 2016, the Company entered into a “Buy-In” agreement with the PGL Pension Scheme (“PGLPS”), which converted an existing longevity swap agreement with PGLPS into a bulk annuity contract. The Company assumed certain additional risks in respect of the benefits payable to the beneficiaries covered by the longevity swap arrangement, including the investment risk associated with the assets covering those benefits. On 1 March 2019 the Company entered into another such “Buy-In” with PGLPS.

The transactions were conducted on a premium with-held basis. PGLPS transferred an agreed portfolio of assets into a Collateral Account over which the Company has a fixed charge. The transfer of the assets to the Collateral Account constituted the payment of the premium to the Company and a simultaneous deposit back by the Company. PGLPS retains legal title to the assets whilst the Company retains the risk and rewards of the collateral provided, hence the assets are recognised in the Company. The charged assets were released to the Company during the year, as part of a buy-out transaction.

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Assets not derecognised

	2023	2022
	£m	£m
Stock lending		
Listed financial assets	1,080	1,168
PGLPS Buy-in		
Debt securities	-	1,375
Collective investment schemes	-	29

21. Fair value

Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments
The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicates higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes, fair value is by reference to published bid prices.

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

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

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

Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a number of investment vehicles and debt securities, standard valuation models are used, with inputs that may not be fully market observable. Where possible and appropriate, inputs into such models are based on market observable data. The fair value of loans and some borrowings with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

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

Fair value hierarchy of financial instruments
Fair value hierarchy information for non-financial assets measured at fair value is included in note 16 for investment properties and in note 17 for Investments in group undertakings and participating interests.

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As 31 December 2023	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets measured at fair value				
Derivatives	28	1,876	232	2,136
Equities	216	105	1,983	2,304
Variable rate income securities	5,497	1,597	984	8,078
Fixed rate income securities	19,604	8,516	9,175	37,295
Unit trusts and other pooled investments	30,690	85	871	31,646
Assets held to cover linked liabilities	105,994	1,950	711	108,655
Reinsurers share of investment contracts without discretionary participation features	9,811	-	-	9,811
Total financial assets measured at fair value	171,840	14,129	13,956	199,925
Financial assets for which fair values are disclosed				
Loans and deposits at amortised cost	-	192	-	192
Total financial assets	171,840	14,321	13,956	200,117

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial liabilities measured at fair value				
Derivatives	56	2,521	156	2,733
Assets held to cover linked liabilities	1	8	-	9
Investment contracts without discretionary participation features	-	119,179	-	119,179
Deposits received from reinsurers	-	2,383	-	2,383
Other Creditors	-	-	4,293	4,293
Amounts owed to credit institutions	-	-	45	45
Total financial liabilities measured at fair value	57	124,091	4,494	128,642

As 31 December 2022	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets measured at fair value				
Derivatives	20	323	152	495
Equities	104	-	388	492
Variable rate income securities	2,340	740	511	3,591
Fixed rate income securities	8,064	4,853	5,833	18,750
Unit trusts and other pooled investments	8,351	41	424	8,816
Assets held to cover linked liabilities	18,031	197	5	18,233
Reinsurers share of investment contracts without discretionary participation features	6,547	-	-	6,547
Total financial assets measured at fair value	43,457	6,154	7,313	56,924
Financial assets for which fair values are disclosed				
Loans and deposits at amortised cost	-	3	-	3
Total financial assets	43,457	6,157	7,313	56,927

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial liabilities measured at fair value				
Derivatives	6	869	180	1,055
Assets held to cover linked liabilities	6	1	-	7
Investment contracts without discretionary participation features	-	22,478	-	22,478
Deposits received from reinsurers	-	211	-	211
Other Creditors	-	-	3,498	3,498
Total financial liabilities measured at fair value	12	23,559	3,678	27,249

Financial instrument valuation methodology

Derivative financial assets and liabilities
OTC derivatives are measured at fair value using a range of valuation models including discounting future cash flows and option valuation techniques. The inputs are observable market data and OTC derivatives are therefore categorised as level 2 in the fair value hierarchy.

Exchange traded derivatives are valued using prices sourced from the relevant exchange. They are considered to be instruments quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

A description of longevity swap arrangements, which do not meet the definition of insurance contracts under the Company's accounting policies is given in note 19. Derivatives also include forward private placements, infrastructure and local authority loans which include commitment to provide funding for fixed rate debt at specified future dates. These are all valued using unobservable inputs and are therefore categorised as level 3 in the fair value hierarchy.

Equities, variable rate income securities, unit trusts and other pooled investments, assets held to cover linked liabilities and reinsurers share of investment contracts without discretionary participation features.
Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

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

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

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

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

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

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

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

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

In order to benefit from the matching adjustment on the regulatory basis, the ERM loans are securitised into tranches of fixed rate senior notes and variable junior loan notes via special purpose vehicles wholly owned by the Company. Fixed rate income securities include £4,201m (2022: £3,615m) of these loan notes. Where ERM loans are securitised, there is an offsetting impact in insurance liabilities for changes in discount rate via the matching adjustment. This results in any net financial impact of change in spread being substantially offset by a corresponding movement in insurance liabilities.

In the long term, all ERM loans will be used to back illiquid liabilities in the Company's matched portfolio. At 31 December 2023, approximately £197m (2022: £223m) were pending securitisation.

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

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

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

Assets at amortised cost
Loans to group entities
Loans and deposits at amortised cost are predominantly loans to group entities.

Loans to policyholders secured by insurance policies
The fair value of the loans are equal to the original loan amount plus interest capitalised at a notional annual rate. As all outstanding balances are recouped in full when policy settlement takes place, or when the loan value exceeds the policy value, whichever is sooner, no impairment or discount in value is required. Due to the level of observable inputs, these assets are classified as level 2.

Investment contract without discretionary participation features
The fair value of the unit-linked contracts is calculated to be equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities in which these funds are invested. The underlying assets and liabilities are predominately classified as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are classified within level 2 of the fair value hierarchy. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges.

Other creditors at FVTPL
Property reversion loans
A description of the property reversion loans can be found in note 35. These instruments are valued using models and due to the level of unobservable inputs are classified as level 3.

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Insurance liabilities for securitised loans
These liabilities represent the obligation created due to the ERM loans not meeting the derecognition criteria discussed above in debt securities. Accordingly, their value is dependent on the ERM loan valuation, and they are classified as level 3 in the fair value hierarchy. The balance at 31 December 2023 was £4,293m (2022: £3,498m) and is disclosed within other payables (note 34).

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

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

Financial instrument	Valuation technique	Significant inputs
OTC Derivative assets and liabilities	Pricing models	N/A
Assets held to cover linked liabilities	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table	
Financial assets		
Debt securities	Quoted market prices	N/A
Unit trusts and other pooled investments	Quoted market prices	N/A
Loans and deposits at amortised cost	DCF model[1]	Discount rate
Financial liabilities		
Investment contract liabilities	DCF model[1]	Discount rate
Deposits received from reinsurers	DCF model[1]	Discount rate

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

Significant inputs and input values for Level 3 instruments

Description	Valuation technique	Significant inputs	Key unobservable input value	
			2023	2022
Derivative assets and liabilities				
Forward private placements, infrastructure and local authority loans	DCF model[1]	Credit spread	111 bps (weighted average)	145 bps (weighted average)
Longevity swaps	DCF model[1]	Swap curve	Swap curve + 10bps	Swap curve + 10bps
Debt securities				
ERM loans	DCF model[1] and Black-Scholes model	Spread	Average 2.6% over SONIA swap curve + 36bps	Average 1.7% over LIBOR swap curve + 36bps
		Mortality	Based on published tables Adjusted PCA00	Based on published tables Adjusted PCA00
		Voluntary redemption rate	1.9% to 6.5%	1.5% to 7%
Other illiquid assets	DCF model[1]	Credit spread	148 bps (weighted average)	172bps (weighted average)
Fixed rate income securities	Underlying valuation based on ERM loans – see above			
Equity	Single broker [2] and net asset value[3]	Single broker indicative price	N/A	N/A
Unit trusts and other pooled investments	Net asset value statements[3]	N/A	N/A	N/A

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Description	Valuation technique	Significant inputs	Key unobservable input value	
			2023	2022
Assets held to cover linked liabilities	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table			
Other creditors				
Property reversion loans	Internally developed model	Mortality rate	PFL92 (Female) PML92 (Male)	PFL92 (Female) PML92 (Male)
		House price inflation	3 year RPI rate plus 0.75%	3 year RPI rate plus 0.75%
		Discount rate	3-year swap yield	3-year swap yield
		Deferred possession rate	3.7%	3.7%
Other liabilities				
Insurance liabilities for securitised loans	Underlying valuation based on ERM loans – see above			

1. *DCF model:* See above in level 2 instruments and instruments measured at amortised cost
2. *Broker indicative prices:* Although such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.
3. *Net asset value statements*: See above in level 2 instruments and instruments measured at amortised cost

22. Tax assets and liabilities

	Technical account 2023 £m	Technical account 2022 £m
Current Tax		
Current tax payable	-	-
Current tax recoverable	147	43
	147	43
Deferred Tax		
Deferred tax assets	149	42
Deferred tax liabilities	-	(37)
Net deferred tax assets/ (liabilities)	149	5

Movement in deferred tax assets and liabilities

Technical account

Year ended 31 December 2023	At 1 January £m	Recognised in the Statement of comprehensive income £m	Amounts transferred in on Part VII £m	At 31 December £m
Trading losses	9	28	78	115
Expenses and deferred acquisition costs carried forward	73	76	86	235
Provisions and other temporary differences	(6)	-	-	(6)
Accelerated capital allowances	1	-	2	3
Pension scheme surplus	(2)	-	-	(2)
Unrealised gains on investments	(50)	(55)	(73)	(178)
Acquired in-force business	(22)	2	-	(20)
Other	-	-	2	2
Transitional adjustment on change of reporting basis	2	(2)	-	-
	5	49	95	149

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Year ended 31 December 2022	At 1 January £m	Recognised in the Statement of comprehensive income £m	At 31 December £m
Trading losses	2	7	9
Expenses and deferred acquisition costs carried forward	20	53	73
Provisions and other temporary differences	(6)	-	(6)
Accelerated capital allowances	1	-	1
Pension scheme surplus	(1)	(1)	(2)
Unrealised gains on investments	(105)	55	(50)
Acquired in-force business	(24)	2	(22)
Other	(4)	4	-
Transitional adjustment on change of reporting basis	13	(11)	2
	(104)	109	5

There are no deferred tax assets or liabilities held in respect of the non-technical account as at 31 December 2023.

Based on the company's tax projection model it is anticipated that the net deferred tax asset held at 31 December 2023 will fall by £7m (2022: £10m) within the next twelve months.

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

An increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Accordingly, shareholder deferred tax assets and liabilities, where provided, are reflected at rates between 19% and 25% depending on the expected timing of the reversal of the relevant temporary difference.

The Finance Act 2012 introduced new rules for the taxation of insurance companies, with effect from 1 January 2013. The deferred tax on the transitional adjustments was amortised over a 10 year period on a straight line basis commencing 2013 and was fully unwound in the 2022 current tax computations.

The Company transitioned to UK GAAP in the 2023 statutory accounts and any transitional adjustments arising from this have been fully unwound in the 2023 current tax computation.

Deferred tax recognition
Deferred tax assets and liabilities are netted off to the extent that legal offset is available under local tax law.

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

The Company has £402m of BLAGAB trading losses carried forward as at 31 December 2023 (2022: £241m). £27m of gross losses were projected to be utilised, however no value was attributed to these deferred tax assets given the interaction with other deductible temporary differences (2022: £158m).

During the year the Company was in receipt of a transfer of policies and associated assets and liabilities from fellow Group companies under Part VII of the Financial Services & Markets Act 2000 ("Part VII transfer"). Due to the revised composition of the Company, profit forecasts indicate that the excess BLAGAB management expenses will now be utilised within 9 years against future BLAGAB income. The company's policy is to recognise deferred tax assets over a 15 year timeframe and accordingly the deferred tax asset relating to the excess BLAGAB management expenses has been recognised in full.

At 31 December 2023 a deferred tax asset has been recognised in respect of £1,318m of excess BLAGAB management expenses. At 31 December 2022 a deferred tax asset was not recognised in respect of excess BLAGAB management expenses of £405m.

EU dividend Group Litigation order
The Company in conjunction with a number of other companies has challenged HMRC's position on the corporation tax treatment of portfolio dividends from companies resident in the EU ("EU dividends") using a Group Litigation Order ("GLO"). The issue relates to whether the UK tax rules, which taxed EU dividends received prior to 1st July 2009 was contrary to EU law given that dividends received from UK companies were exempt from tax. In 2009 UK tax law was changed with both overseas and UK dividends generally being treated as exempt from corporation tax.

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

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

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

23. Assets held to cover linked liabilities

	Cost		Carrying value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Assets held to cover linked liabilities	103,509	17,329	112,456	18,423

	2023	2022
	£m	£m
Assets held to cover linked liabilities:		
Financial assets	109,812	18,339
Financial liabilities	(569)	(19)
Non-financial items	3,213	103
	112,456	18,423
Financial Assets		
Financial assets at amortised cost		
Cash and cash equivalents	690	30
Other debtors	467	76
Financial assets at fair value through profit and loss		
Equities	2,087	145
Variable rate income securities	382	-
Fixed rate income securities	2,943	1
Derivative assets	6	6
Unit trusts and other pooled investments	103,237	18,081
	109,812	18,339
Financial Liabilities		
Financial liabilities at amortised cost		
Other creditors	(502)	(12)
Obligations under finance leases	(15)	-
Amounts owed to related parties	(43)	-
Financial liabilities at fair value through profit and loss		
Derivative liabilities	(4)	(7)
Other creditors	(5)	-
	(569)	(19)
Non-financial items		
Investment Property	3,213	103
	3,213	103

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

24. Debtors: Other debtors

	2023 £m	2022 £m
Initial margins	398	477
Collateral pledged	936	390
Tax recoverable (note 22)	147	43
Group relief taxation	59	70
Amounts due from related parties - parent	23	23
Amounts due from related parties - subsidiaries	31	10
Amounts due from related parties - other group undertakings	92	10
Investment broker balances	6	34
Other receivables	458	72
	2,150	1,129
Amount recoverable after 12 months	-	-

25. Other Assets: Cash at bank and in hand

	2023 £m	2022 £m
Bank and cash balances	484	212
Total cash at bank and in hand	484	212

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

26. Prepayments and accrued income: Deferred acquisition costs

	2023 £m	2022 £m
At 1 January	40	39
Additions	3	3
Amortisation charge	(7)	(2)
Part VII transfer in	197	-
At 31 December	233	40
Amount recoverable after 12 months	210	36
Related to contracts with customers: deferred acquisition costs on non-participating investment contracts	79	-

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

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

	2023 £m	2022 £m
Prepayments	135	103
Accrued income	46	23
	181	126
Amount recoverable after 12 months	70	46

Included within prepayments is 2023 £76m (2022: £49m) of consideration relating to the transfer of various risks to PGMS and PGS. This consideration is amortised over the expected life of the contracts.

28. Capital and reserves: Called up share capital

	2023 £m	2023 Number	2022 £m	2022 Number
Issued and fully paid:				
Ordinary shares of £1 each	69	69,087,572	69	69,087,572

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

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

29. Capital and Reserves: Other Reserves

	Capital contribution reserve £m	Restructuring Reserve £m	Other reserves total £m
At 1 January 2023	1,317	-	1,317
Capital contribution received	250	-	250
Capital contribution repayment	(850)	-	(850)
Part VII transfer in	-	1,143	1,143
Part VII transfer out	-	(32)	(32)
At 31 December 2023	717	1,111	1,828
At 1 January 2022	1,184	-	1,184
Capital contribution received	508	-	508
Capital contribution repayment	(375)	-	(375)
At 31 December 2022	1,317	-	1,317

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

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

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

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

30. Technical provisions

Long-term business provision and technical provision for linked liabilities

Gross technical provisions

	Long-term business provision	Linked liabilities	Reinsurers share: Long term business provisions	Reinsurers share: linked liabilities
	£m	£m	£m	£m
At 31 December 2023				
Insurance contracts	53,777	2,250	6,322	38
Investment contracts with DPF	19,789	4,599	3	90
Investment contracts without DPF	2,497	116,682	-	9,811
	76,063	123,531	6,325	9,939
At 31 December 2022				
Insurance contracts	23,932	1,919	2,631	27
Investment contracts with DPF	4,962	639	96	-
Investment contracts without DPF	1	22,477	2	6,545
	28,895	25,035	2,729	6,572

Movements in liabilities

	Long-term business provision	Linked liabilities	Reinsurers share: Long term business provisions	Reinsurers share: linked liabilities
	£m	£m	£m	£m
At 1 January 2023	28,895	25,035	2,729	6,572
Premiums / deposits	7,304	4,869	1,930	590
Claims / withdrawals	(4,057)	(3,860)	(1,255)	(509)
Other changes in liabilities	4,786	6,460	450	909
Foreign exchange adjustments	6	-	-	-
Part VII transfer	39,129	91,027	2,471	2,377
At 31 December 2023	76,063	123,531	6,325	9,939
At 1 January 2022	35,764	28,529	3,015	7,081
Premiums / deposits	5,675	1,203	1,660	829
Claims / withdrawals	(2,844)	(1,434)	(1,076)	(53)
Other changes in liabilities	(9,700)	(3,263)	(870)	(1,285)
At 31 December 2022	28,895	25,035	2,729	6,572

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

Assumptions

Valuation of participating insurance and investment contracts

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

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

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

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

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

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

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

	Increase/ (decrease) in insurance liabilities 2023 £m	Increase/ (decrease) in insurance liabilities 2022 £m
Change in longevity assumptions	(166)	(4)
Change in expenses assumptions	31	(12)
Change in mortality assumptions	89	7
Change in persistency assumptions	7	4
Change in other assumptions	(41)	(42)

The impact of COVID-19 continues to be monitored on a regular basis. Data from the pandemic has been excluded but some weight has been given to heightened mortality experienced post pandemic in forming a view on current levels of mortality. There remains a high degree of uncertainty around what the medium-long term impacts are likely to be and impacts may either reduce or increase future life expectancy.

Longevity and mortality assumptions
Longevity and mortality rates are based on published tables, adjusted appropriately to take account of changes in the underlying population mortality since the table was published, demographic differences between annuitants and the general population, company experience and forecast changes in future mortality. For both longevity and mortality base assumptions 2020 and 2021 data was excluded as it was distorted by the one-off effect of COVID-19 and is not deemed representative.

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

Following a period of sustained growth for the Group, the projected cost base has been reviewed for future years, and an increase in MSA rates has been assumed from 2025, with current rates applying until 31 December 2024, in line with current contractual agreements. In addition, provision has been made within the assumptions for additional short-term maintenance costs, direct costs and project costs, to reflect the investment required in the enlarged business.

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

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Sensitivities

Financial and insurance risk sensitivities are set out in note 32.

Policyholder options and guarantees

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

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

There are guaranteed surrender values on a small number of older contracts.

Some pension contracts include guaranteed annuity options (see deferred annuities below for details). The total amount provided in the with-profits funds and non-profit funds in respect of the future costs of guaranteed annuity options are £776m (2022: £274m) and £48m (2022: £51m) respectively.

Discretionary participating bonus rate

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

In common with other life companies in the UK which have written pension transfer and opt-out business, the Company has set up provisions for redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases, are included in liabilities arising under insurance contracts. The total amount provided in the with-profits and non-profit funds in respect of redress relating to pension policies, including associated costs, are £144m (2022: £16m) and £3m (2022: £2m) respectively.

Managing product risk

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

2023	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds						
Pensions						
Deferred annuities	3,743	14	-	-	-	-
Immediate annuities	57	124	-	-	-	-
Unitised with-profits	7,310	18,625	2,349	-	-	-
Total pensions	11,110	18,763	2,349	-	-	-
Life						
Unitised with-profits	4,899	958	60	-	-	-
Life with-profits	1,194	50	-	-	-	-
Total life	6,093	1,008	60	-	-	-
Other	6,588	16	(12)	13	90	496
Non-profit funds						
Deferred annuities	5,649	-	24		-	-
Immediate annuities	23,590	-	5		-	-
Protection	530	-	3		-	-
Unit-linked	161	4	78	2,237	4,509	116,186
Other	56	(2)	(10)		-	-
	53,777	19,789	2,497	2,250	4,599	116,682

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2022

	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds						
Pensions						
Deferred annuities	2,424	-	-	-	-	-
Immediate annuities	143	-	-	-	-	-
Unitised with-profits	30	4,352	-	-	-	-
Total pensions	2,597	4,352	-	-	-	-
Life						
Unitised with-profits	2	615	-	-	-	-
Life with-profits	806	-	-	-	-	-
Total life	808	615	-	-	-	-
Other	2,380	-	-	-	-	-
Non-profit funds						
Deferred annuities – without guarantees	2,691	-	-	-	-	-
Immediate annuities	14,976	-	(1)	-	-	-
Protection	315	-	-	-	-	-
Unit-linked	171	5	2	1,919	639	22,477
Other	(6)	(10)	-	-	-	-
	23,932	4,962	1	1,919	639	22,477

2023

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

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2022	Reinsurance		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds			
Pensions			
Unitised with-profits	-	42	-
Total pensions	-	42	-
Life			
Unitised with-profits	-	54	-
Life with-profits	1	-	-
Total life	1	54	-
Other	1,080	-	-
Non-profit funds			
Deferred annuities – without guarantees	293	-	-
Immediate annuities	1,166	-	-
Protection	77	-	-
Unit-linked	41	-	6,547
	2,658	96	6,547

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

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

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

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

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

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

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

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

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

The main risks associated with this product are longevity and investment risks. Longevity risk arises where the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa) although the extent to which this occurs will depend on the similarity of the demographic profile of each book of business. In addition, the Company has in place longevity swaps that provide downside protection over longevity risk. £17,945m (2022: £12,118m) of net insurance contract liabilities are covered by longevity swap arrangements.

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

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

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

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

31. Capital Management

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

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

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

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

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

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

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

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

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

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

The SII surplus position (unaudited) at 31 December 2023 is presented in the Strategic report on page 4.

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

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

The policy also ensures sufficient liquidity to meet creditor and dividend obligations. Volatility in the latter is monitored at the executive and Board level through stress and scenario testing. Where cash flow volatility is judged to be in excess of the Board's risk appetite, de-risking activities are undertaken.

The Company did not breach its capital policy at any time during the year.

32. Risk management

a) Overview

Risk Management Framework
The Group's RMF embeds proactive and effective risk management across the Phoenix Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group's RMF is aligned to the principles and guidance in ISO 31000 Risk Management standards. A diagram showing the nine elements of the Group's RMF is presented within the Company's strategic report, with further detail included in the Group's 2023 Annual Report and Accounts.

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

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

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

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Operational risk	The risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.
Sustainability risk	The risk of financial failure, poor customer outcomes, reputational loss, loss of earnings and/or value arising from a failure to manage the impacts of environmental, social and governance matters on the Group strategy (and vice versa).

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

b) Climate risk

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

Identification of climate related risks has been embedded into the Group's RMF, which applies to the Company. Significant progress has been made in recent years in developing risk metrics and establishing appropriate governance and risk management processes. The Group has adopted a proactive approach towards combatting climate change, with key net-zero targets. Further details on these targets and on managing the related climate change risks are provided in the Climate Report and TCFD within the Group's 2023 Annual Report and Accounts.

c) Strategic risk

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

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

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

d) Financial risks

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

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

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

e) Financial Soundness: Liquidity and funding risk

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

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

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

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

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

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

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

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

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

In extreme circumstances, insufficient liquidity could result in hedging strategies being unwound exposing the Company to higher capital risk. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit-linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of less liquid assets such as property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, the Company considers its risk to be low since there are steps that can be taken first within the funds themselves both to ensure the fair treatment of all investors in those funds and to protect the Company's own risk exposure. If considered necessary, deferral terms within the policy conditions are invoked.

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

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

f) Contractual maturities

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

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2023

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Insurance contracts	5,398	13,912	36,717	-	56,027
Investment contracts with DPF	4,029	7,749	12,610	-	24,388
Investment contracts without DPF	119,179	-	-	-	119,179
Deposits received from reinsurers	361	655	2,040	-	3,056
Derivative Liabilities	145	344	5,044	-	5,533
Creditors arising out of reinsurance operations	118	-	-	-	118
Creditors arising out of direct insurance operations	43	-	-	-	43
Accruals and deferred income	82	14	9	-	105
Other Creditors: Other payables	315	-	-	-	315
Other Creditors: Investment sundry creditors	638	-	-	-	638
Amounts owed to credit institutions	-	-	-	45	45
Other Creditors: Obligations for repayment of collateral received	705	-	-	-	705
Other Creditors: Amounts due to related parties - subsidiaries	475	1,281	7,744	-	9,500

2022

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	No fixed term £m	Total £m
Insurance contracts	2,817	5,209	17,825	-	25,851
Investment contracts with DPF	605	1,861	3,135	-	5,601
Investment contracts without DPF	22,478	-	-	-	22,478
Deposits received from reinsurers	21	77	204	-	302
Derivative Liabilities	121	162	1,822	-	2,105
Creditors arising out of reinsurance operations	13	-	-	-	13
Creditors arising out of direct insurance operations	26	-	-	-	26
Accruals and deferred income	28	4	1	-	33
Other Creditors: Other payables	19	-	-	-	19
Other Creditors: Investment sundry creditors	212	-	-	-	212
Amounts owed to credit institutions	-	-	-	46	46
Other Creditors: Obligations for repayment of collateral received	139	-	-	-	139
Other Creditors: Amounts due to related parties - subsidiaries	392	1,169	6,291	-	7,852

(g) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. Note 31 gives more detail on how capital and capital management risk are managed.

(h) Financial Soundness: Tax risk

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

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

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

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(i) Market risk

Market risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of changes in interest rates, inflation rates and currency exchange rates.
The Company is mainly exposed to market risk as a result of:

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

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

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

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

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

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

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

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

Markets remain volatile particularly given geopolitical tensions, heightened inflation, and action by central banks to reduce inflationary pressures on economies whilst balancing the need to aid post pandemic recovery. This is noted in the Strategic Report principal risk section.

(j) Market Risk: Interest rate and inflation risk

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

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

The Company is required to manage its interest rate exposures in line with the Company's qualitative risk appetite statements, quantitative risk metrics and any additional hedging benchmarks. Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the non-profit funds. For with-profit business, some element of investment mismatching is permitted where it is consistent with the principles of treating customers fairly. The with-profits funds of the Company provide capital to allow such mismatching to be effected. In practice, the Company maintains an appropriate mix of debt securities according to the underlying insurance or investment contracts and will review this at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

With-profits business and non-participating business within the with-profits funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include debt securities and derivatives. For with-profits business the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits. The contribution of these funds to the

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Company result is determined primarily by either the owners' share of the declared annual bonus or by the owners' interest in any change in value in the capital advanced to the Company's with-profits funds.

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

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

(k) Market Risk: Currency risk

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

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

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

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

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

Sensitivity of profit after tax and equity to fluctuations in currency exchange rates is not considered significant at 31 December 2023 (2022: not considered significant).

(l) Market Risk: Equity and property price risk

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

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

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

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for maintaining adequate regulatory capital and treating customers fairly. Exposure to property price risk on NNEG on certain ERM is hedged through Over-the-Counter ("OTC") contract of insurance. Exposures to equity securities are primarily controlled through the use of investment mandates including constraints based on appropriate equity indices. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Company's holdings are diversified across industries, and concentrations in any one company or industry are limited. For the participating business, exposures are also partially hedged through the use of derivatives. Exposures to property holdings are primarily controlled through the use of portfolio limits which specify the proportion of the value of the total property portfolio represented by any one property or group of property, geographic area, or property type.

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

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

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(m) Credit risk

Credit risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.

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

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

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

Credit risk management

Credit risk is managed by the monitoring of aggregate Company exposures to individual counterparties and by appropriate credit risk diversification (including by sector, credit rating and geographic area). The Company manages the level of credit risk it accepts through the use of credit risk tolerances and limits. Additional controls for illiquid asset concentration risk are set out via specific risk limits within the risk appetite framework. Credit risk on derivatives and securities lending is mitigated through the use of collateral with appropriate haircuts.

The Company operates an Asset Management Risk Committee, Ratings Committee and Portfolio Credit Committee to monitor and control oversight of externally rated and internally rated assets. A variety of methods are used to validate the appropriateness of credit assessment from external institutions and fund managers. Internally rated assets are those that do not have a public rating from an external credit assessment institution or form external asset managers. These Committees review the policies, processes and practices to ensure the appropriateness of the internal ratings assigned to asset classes, in line with regulatory requirements.

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

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

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

The shareholders' exposure to credit risk arising from investments held in the with-profits funds is similar in purpose to that disclosed for market risk exposures in section (i). The financial assets of the HWPF include £2,167m of debt securities deposited back under the terms of an external annuity reinsurance transaction, the transaction having been structured in this manner specifically to mitigate credit risks associated with reinsurer default. Credit losses and defaults within the portfolio of assets are borne by the external reinsurer.

Concentration of credit risk

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

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

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

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

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

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

Information on the values of collateral held and pledged are given in note 20.

(n) Quality of credit assets
An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The following table sets out the Company's aggregate credit exposure to different credit assets for those counterparties that are rated by an External Credit Assessment Institution (ECAI). Credit assets and their issuers are rated by ECAI's based on their credit worthiness. The Company aims to invest in Investment Grade assets which are those assets in the range of AAA to BBB. Any asset with a rating lower than BBB- is considered sub-investment grade.

2023

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated £m	Non-Rated £m	Total £m
Loans and deposits	-	-	-	-	-	-	192	192
Derivative assets	-	1,314	538	-	-	-	284	2,136
Debt securities	2,879	18,088	6,009	2,575	33	9,977	5,813	45,374
Reinsurers share of technical provisions	-	13,721	2,543	-	-	-	-	16,264
Cash at bank and in hand	-	12	431	42	-	-	-	485
	2,879	33,135	9,521	2,617	33	9,977	6,289	64,451

2022

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated £m	Non-Rated £m	Total £m
Loans and deposits	-	-	-	-	-	-	3	3
Derivative assets	-	188	222	-	-	-	85	495
Debt securities	1,014	6,793	3,033	1,121	-	5,998	4,383	22,342
Reinsurers share of technical provisions	-	8,522	779	-	-	-	-	9,301
Cash at bank and in hand	-	4	189	20	-	-	-	213
	1,014	15,507	4,223	1,141		5,998	4,471	32,354

The Company had no material assets which were impaired or past due (2022: £nil).

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

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

2023

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Total £m
Debt securities	2,535	2,364	3,241	1,628	209	9,977
	2,535	2,364	3,241	1,628	209	9,977

2022

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Total £m
Debt securities	2,089	1,257	1,545	1,037	70	5,998
	2,089	1,257	1,545	1,037	70	5,998

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

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

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

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

(o) Insurance risk

Insurance risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.

The Company is exposed to the following elements of Insurance risk

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

Objectives and policies for mitigating insurance risk

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

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

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

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

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

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

There remains uncertainty around future demographic experience as a result of COVID-19, potential health risks from rising NHS waiting times, increasing long-term sickness rates, and impacts from the cost of living crisis as outlined in the Strategic Report risk section.

The Company's liabilities under insurance contracts are detailed in note 30, which also covers the risks arising on specific contracts and how these are mitigated.

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

(p) Customer risk

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

- **Customer outcomes:** The risk that our decisions, actions or behaviours individually or collectively result in a failure to act to deliver good outcomes for our customers, including in the following areas: Product Design & Development, Communication & Guidance, Customer Support & Understanding, Monitoring & Oversight, Customer Feedback, and Culture & standards.
- **Customer Transformation:** The design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.

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

In addition, the Group Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.

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

(q) Operational risk

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

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

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

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

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

(r) Financial and insurance risk sensitivities

The tables that follow illustrate the sensitivity of profit after tax and equity to variations in the key assumptions made in relation to the Company's most significant financial and insurance risk exposures. The sensitivities are based on Solvency II, in line with the way the Company is managed. The values have, in all cases, been determined by varying the relevant assumption as at the reporting date and considering the consequential impacts assuming other assumptions remain unchanged. The values are for a full financial year.

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

Sensitivities

	2023	2022
	Effect on profit after tax and equity	Effect on profit after tax and equity
	£m	£m
Financial sensitivities		
Variable widening of credit spreads	(1,313)	(808)
Variable narrowing of credit spreads	204	111
Variable increase in interest rates	(304)	47
Variable decrease in interest rates	275	(97)
Variable increase in equity and property prices	421	(6)
Variable decrease in equity and property prices	(406)	(126)
Insurance sensitivities		
Variable increase in assurance mortality	(220)	(208)
Variable decrease in assurance mortality	263	249
Variable increase in annuitant longevity	(540)	(240)
Variable decrease in annuitant longevity	466	221
Variable increase in lapse rates	(550)	(179)
Variable decrease in lapse rates	1,003	239

Limitations

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

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33. Provisions for other risks: Other provisions

	Strategic review of outsourcing relationships £m	Complaints and Litigation costs £m	Known incidents £m	Other £m	Total £m
At 1 January 2023	23	1	-	4	28
Additional provisions	2	-	-	6	8
Unused amounts released	-	-	(9)	(4)	(13)
Used during the year	(12)	-	(1)	-	(13)
Part VII transfer	2	-	20	2	24
Total at 31 December 2023	15	1	10	8	34
Amount due for settlement after 12 months	-	-	-	7	-

Provision for strategic review of outsourcing relationships
On 29 November 2018, Phoenix Group announced the intention to move to a single, digitally enhanced outsourcer platform which will improve customer outcomes, supported by Diligenta Limited. A provision was recognised in 2018 for the Company's share of the expected cost of the platform migration, payable to PGMS as policies are successfully transferred. During the period a further 495,000 (2022: 130,000) policies across a further 4 (2022: 6) policy systems were successfully transferred to Diligenta, and therefore £12m (2022: £11m) of the provision was utilised in the period.

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

'Other' provisions relates mainly to the risk of crystallisation of German Real Estate Transfer Tax from the Part VII transfer of the SLAL business. The provision is expected to be utilised within two to three years.

34. Creditors: Other creditors including taxation and social security

	2023 £m	2022 £m
Derivative liabilities (note 20)	2,733	1,055
Obligations for repayment of collateral received	705	139
Amounts due to related parties - subsidiaries	4,328	3,519
Amount due to related parties - other group undertakings	199	116
Bank overdraft	16	-
Investment sundry creditors	638	212
Other payables	315	19
	8,934	5,060
Amount due for settlement after 12 months	5,715	4,040

Amounts due to related parties – subsidiaries, include mortgage loans where beneficial interest has been transferred. Further detail is provided in note 20.

35. Amounts owed to credit institutions

	2023 £m	2022 £m
Financial liabilities at fair value through profit or loss		
Property reversion loan	45	46
	45	46
Amount due for settlement after 12 months	45	46

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As part of a loan agreement with Santander UK plc ("Santander") relating to the sale of Extra-Income Plan policies, Santander receive an amount from the Company calculated by reference to the movement of the Halifax House Price Index and the Company has undertaken to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount. Repayment will be on a policy-by-policy basis and is expected to occur over the next 10 to 20 years. The embedded derivative feature of the contract is unable to be separately measured from the host contract. As such the borrowing is designated as a liability at fair value through profit or loss. During the year, the property reversion loan balance in PLAL was transferred to the company and repayments totalling £17m (2022: £12m) were made. It is expected that further repayments will occur within 12 months, broadly in line with the reduction in associated property reversions (note 16), although the value cannot be reliably estimated.

36. Accruals and deferred income

	2023 £m	2022 £m
Accruals	77	27
Deferred income reserve	28	6
	105	33
Amount due for settlement after 12 months	23	5

37. Commitments

	2023 £m	2022 £m
To subscribe to private equity funds and other unlisted assets	1,410	533
To purchase, construct or develop investment property	17	17
For repairs, maintenance or enhancements of investment property	8	1
	1,435	551

38. Related party transactions

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

39. Ultimate parent and ultimate controlling party

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

40. Events after the reporting period

On 1 March 2024, the Company transferred 100% of its shareholding in its subsidiary Standard Life Lifetime Mortgages Limited ("SLLM") to Pearl Life Holdings Limited ("PeLHL") at the fair value of £9m. To support the transfer PeLHL provided a loan to the Company of £9m on the same day. The loan accrues interest at SONIA plus 135bps.

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41. Listing of subsidiaries

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

Company Name	Country of incorporation and principal place of operation	Type and % of holding	Address
3 St Andrews Square Apartments Limited	Scotland	Ordinary shares, 100%	1
Abrdb Private Equity Opportunities Trust plc	Scotland	Investment trust, 51%	1
Britannic Finance Limited	England and Wales	Ordinary shares, 100%	3
Britannic Money Investment Services Limited	England and Wales	Ordinary shares, 100%	3
CGE Management Services Company	Scotland	Ordinary shares, 100%	1
Cityfourinc (unlimited)	England and Wales	Ordinary & Preference shares, 100%	3
Pearl Customer Care Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ULA Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER1 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER2 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER3 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER4 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER5 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix ER6 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix SPV1 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix SPV2 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix SPV3 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix SPV4 Limited	England and Wales	Ordinary shares, 100%	3
Phoenix Unit Trust Managers Limited	England and Wales	Ordinary shares, 100%	3
Scottish Mutual Nominees Limited	Scotland	Ordinary shares, 100%	18
Scottish Mutual Pension Funds Investment Ltd	Scotland	Ordinary shares, 100%	18
SLIF Property Investment GP Limited	Scotland	Ordinary shares, 100%	1
SLIF Property Investment LP Limited	Scotland	Ordinary shares, 100%	1
Standard Life Assets and Employee Services Ltd	Scotland	Ordinary shares, 100%	18
Standard Life Lifetime Mortgages Limited	Scotland	Ordinary shares, 100%	18
Standard Life Master Trust Co Limited	England and Wales	Ordinary shares, 100%	3
Standard Life Pension Funds Limited	Scotland	Ordinary shares, 100%	18
Standard Life Trustee Company Limited	Scotland	Ordinary shares, 100%	18
Sunlife Limited	England and Wales	Ordinary shares, 100%	3
The Phoenix Life SCP Institution	Scotland	Unlimited without share capital	18
Vebnet Limited	Scotland	Ordinary shares, 100%	18
Vebnet (Holdings) Limited	England and Wales	Ordinary shares, 100%	3

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

Company Name	Country of incorporation and principal place of operation	Type and % of holding	Address
abrdn (Lothian) European Trust	Scotland	Unit Trust, 95%	1
abrdn (Lothian) European Trust II	Scotland	Unit Trust, 100%	1
abrdn (Lothian) International Trust	Scotland	Unit Trust, 100%	1
abrdn (Lothian) Japan Trust	Scotland	Unit Trust, 79%	1
abrdn (Lothian) North American Trust	Scotland	Unit Trust, 99%	1
abrdn (Lothian) Pacific Basin Trust	Scotland	Unit Trust, 95%	1
abrdn (Lothian) UK Corporate Bond Trust	Scotland	Unit Trust, 100%	1
abrdn (Lothian) UK Equity General Trust	Scotland	Unit Trust, 98%	1
abrdn American Equity Enhanced Index Fund	Scotland	OEIC, 41%	1

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abrdn Asia Pacific Equity Enhanced Index Fund	Scotland	OEIC, 35%	1
abrdn Asia Pacific Equity Fund	Scotland	OEIC, 23%	1
abrdn Asia Pacific ex-Japan Equity Tracker Fund	Scotland	OEIC, 29%	1
abrdn Dynamic Distribution Fund	Scotland	OEIC, 62%	1
abrdn Emerging Markets Equity Enhanced Index Fund	Scotland	OEIC, 21%	1
abrdn Emerging Markets Income Equity Fund	Scotland	OEIC, 73%	1
abrdn Emerging Markets Local Currency Bond Tracker Fund	England and Wales	OEIC, 56%	6
abrdn Ethical Corporate Bond Fund	Scotland	OEIC, 53%	1
abrdn Europe ex UK Ethical Equity Fund	Scotland	OEIC, 75%	1
abrdn Europe ex UK Income Equity Fund	Scotland	OEIC, 21%	1
abrdn Global Equity Fund	Scotland	OEIC, 23%	1
abrdn Global Government Bond Tracker Fund	Scotland	OEIC, 47%	1
abrdn Global Inflation-Linked Bond Tracker Fund	England and Wales	OEIC, 66%	6
abrdn Global Real Estate Fund	Scotland	OEIC, 24%	1
abrdn Global Real Estate Share Fund	Scotland	OEIC, 53%	1
abrdn High Yield Bond Fund	Scotland	OEIC, 20%	1
abrdn Investment Grade Corporate Bond Fund	Scotland	OEIC, 37%	1
abrdn Japan Equity Enhanced Index Fund	Scotland	OEIC, 38%	1
abrdn Japanese Equity Fund	Scotland	OEIC, 24%	1
abrdn MyFolio Managed I Fund	Scotland	OEIC, 76%	1
abrdn MyFolio Managed II Fund	Scotland	OEIC, 75%	1
abrdn MyFolio Managed III Fund	Scotland	OEIC, 83%	1
abrdn MyFolio Managed IV Fund	Scotland	OEIC, 67%	1
abrdn MyFolio Managed V Fund	Scotland	OEIC, 76%	1
abrdn MyFolio Market I Fund	Scotland	OEIC, 41%	1
abrdn MyFolio Market II Fund	Scotland	OEIC, 48%	1
abrdn MyFolio Market III Fund	Scotland	OEIC, 55%	1
abrdn MyFolio Market IV Fund	Scotland	OEIC, 52%	1
abrdn MyFolio Market V Fund	Scotland	OEIC, 57%	1
abrdn MyFolio Multi-Manager I Fund	Scotland	OEIC, 55%	1
abrdn MyFolio Multi-Manager II Fund	Scotland	OEIC, 47%	1
abrdn MyFolio Multi-Manager III Fund	Scotland	OEIC, 54%	1
abrdn MyFolio Multi-Manager IV Fund	Scotland	OEIC, 58%	1
abrdn MyFolio Multi-Manager V Fund	Scotland	OEIC, 37%	1
abrdn North American Small & Mid-Cap Equity Fund	Scotland	OEIC, 24%	1
abrdn Short Dated Corporate Bond Fund	Scotland	OEIC, 27%	1
abrdn Short Dated Global Corporate Bond Tracker Fund	England and Wales	OEIC, 97%	6
abrdn Short Dated Sterling Corporate Bond Tracker Fund	England and Wales	OEIC, 92%	6
abrdn Sterling Corporate Bond Fund	Scotland	OEIC, 24%	1
abrdn Sterling Corporate Bond Tracker Fund	Scotland	OEIC, 38%	1
abrdn Strategic Bond Fund	Scotland	OEIC, 55%	1
abrdn Sustainable Index World Equity Fund	Scotland	OEIC, 86%	1
abrdn UK Equity Enhanced Index Fund	Scotland	OEIC, 29%	1
abrdn UK Income Equity Fund	Scotland	OEIC, 29%	1
abrdn UK Income Unconstrained Equity Fund	Scotland	OEIC, 62%	1

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abrdn UK Mid-Cap Equity Fund	Scotland	OEIC, 31%	1
abrdn UK Real Estate Feeder Fund	England and Wales	OEIC, 56%	6
abrdn UK Real Estate Fund	England and Wales	OEIC, 36%	6
abrdn UK Smaller Companies Fund	Scotland	OEIC, 27%	1
abrdn UK Sustainable and Responsible Investment Equity Fund	Scotland	OEIC, 28%	1
abrdn UK Value Equity Fund	Scotland	OEIC, 57%	1
Absolute Return Global Bond Strategies Fund	Luxembourg	SICAV, 80%	5
Emerging Market Local Currency Debt Fund	Luxembourg	SICAV, 46%	5
Euro Corporate Bond Fund	Luxembourg	SICAV, 27%	5
Euro Government All Stocks Fund	Luxembourg	SICAV, 100%	5
Global Corporate Bond Fund	Luxembourg	SICAV, 47%	5
Global Government Bond Fund	Luxembourg	SICAV, 38%	5
Global High Yield Bond Fund	Luxembourg	SICAV, 34%	5
Global Real Estate Securities Sustainable Fund	Luxembourg	SICAV, 55%	5
Global Short Dated Corporate Bond Fund	Luxembourg	SICAV, 93%	5
Seabury Euro Liquidity 1 Fund	Luxembourg	SICAV, 100%	5
Seabury Sterling Liquidity 2 Fund	Luxembourg	SICAV, 100%	5
Seabury Sterling Liquidity 3 Fund	Luxembourg	SICAV, 96%	5
abrdn Private Equity Opportunities Trust plc	Scotland	Investment Trust, 41%	1
AB Global Dynamic Bond Fund	Luxembourg	SICAV, 39%	20
Amundi Global Corp SRI 1-5Y UCITS ETF	Luxembourg	SICAV, 22%	21
Amundi MSCI China ESG Leaders Select UCITS ETF	Luxembourg	SICAV, 47%	21
Amundi MSCI Emerging EX China ESG Leaders Select UCITS ETF	Luxembourg	SICAV, 51%	21
Amundi MSCI World Climate Transition	Luxembourg	SICAV, 52%	5
AQR Global Risk Premium UCITS Fund	Luxembourg	SICAV, 100%	22
Baillie Gifford UK and Worldwide Equity Fund	Scotland	OEIC, 27%	8
Baillie Gifford UK Equity Core Fund	Scotland	OEIC, 39%	8
Barings Emerging Markets Debt Short Duration Fund	Ireland	OEIC, 31%	23
Blackrock ACS World Multifactor Equity Tracker Fund	England and Wales	OEIC, 22%	11
BlackRock Market Advantage Fund	England and Wales	Unit Trust, 51%	11
BlackRock Sovereign Liquidity (Euro) Fund	Ireland	OEIC, 36%	24
BNY Mellon 50/50 Global Equity Fund	England and Wales	OEIC, 74%	12
BNY Mellon Multi-Asset Global Balanced Fund	England and Wales	OEIC, 30%	12
CT American Select Fund	England and Wales	OEIC, 22%	25
Global Multi-Factor Equity Fund	England and Wales	Unit Trust, 22%	4
Invesco Global Targeted Returns Fund	England and Wales	OEIC, 44%	26
LF Macquarie Global Infrastructure Securities Fund	England and Wales	OEIC, 26%	27
Nomura American Century Concentrated Global Growth Equity Fund	Ireland	OEIC, 23%	28
Robeco - Phoenix Customized Multi Asset Fund	The Netherlands	OEIC, 84%	29
Robeco QI Emerging Markets Sustainable Enhanced Index Equities	The Netherlands	Unit Trust, 100%	29
Schroder International Selection Fund Global Diversified Growth	Luxembourg	Unit Trust, 22%	30
Total Return Credit Fund	Luxembourg	Unit Trust, 25%	31
UBS Global Optimal Fund	England and Wales	OEIC, 79%	10

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Vanguard FTSE Developed Europe xUK CCF Institutional	Ireland	Unit Trust, 100%	9
Vanguard FTSE Developed World Common Contractual Fund	Ireland	Unit Trust, 44%	9
Vanguard FTSE Developed World xUK CCF Institutional	Ireland	Unit Trust, 100%	9
Vanguard Global Corporate Bond Index Fund	Ireland	OEIC, 33%	9
Vanguard Global Short-Term Corporate Bond Index Fund	Ireland	Unit Trust, 31%	32
Vanguard U.K. Short-Term Investment Grade Bond Index Fund	Ireland	OEIC, 50%	9
Vanguard U.S. Equity Index Common Contractual Fund	Ireland	Unit Trust, 75%	9
Janus Henderson Emerging Markets Opportunities Fund	England and Wales	Unit Trust, 28%	13
Janus Henderson Diversified Growth Fund	England and Wales	Unit Trust, 66%	13
Janus Henderson Institutional Overseas Bond Fund	England and Wales	Unit Trust, 98%	13
Janus Henderson Institutional Short Duration Bond Fund	England and Wales	Unit Trust, 100%	13
Janus Henderson Institutional UK Index Opportunities Fund	England and Wales	Unit Trust, 57%	13
Janus Henderson Institutional Mainstream UK Equity Trust	England and Wales	OEIC, 100%	13
Janus Henderson Institutional Japan Index Opportunities Fund	England and Wales	OEIC, 82%	13
Janus Henderson Institutional North American Index Fund	England and Wales	OEIC, 77%	13
Janus Henderson Institutional Asia Pacific ex-Japan Index Opportunities Fund	England and Wales	OEIC, 90%	13
Janus Henderson Institutional High Alpha UK Equity Fund	England and Wales	OEIC, 85%	13
Janus Henderson Global Responsible Managed Fund	England and Wales	OEIC, 31%	2
Janus Henderson Institutional UK Equity Tracker Trust	England and Wales	Unit Trust, 100%	13
ASI Phoenix Global Private Equity III LP - Pool A	Scotland	Limited Partnership, 100%	1
ASI Phoenix Global Private Equity III LP - Pool B	Scotland	Limited Partnership, 100%	1
ASI Phoenix Global Private Equity III LP - Pool C	Scotland	Limited Partnership, 100%	1
European Strategic Partners GP L.P.	Scotland	Limited Partnership, 100%	1
European Strategic Partners II 'C' G.P.	Scotland	Limited Partnership, 100%	1
European Strategic Partners L.P.	Scotland	Limited Partnership, 100%	1
ISSF II USD Fund Mutual Fund	Ireland	OEIC, 100%	15
Gallions Reach Unit Trust	Jersey	Unit Trust, 100%	7
Ignis Private Equity Fund LP	Cayman Islands	Limited Partnership, 100%	14
Ignis Strategic Credit Fund LP	Cayman Islands	Limited Partnership, 100%	14
Ignis Strategic Solutions Funds Plc	Ireland	OEIC, sub fund, 100%	15
NASP 2006 Ltd Partnership	Scotland	Limited Partnership, 100%	1
NASP 2008 Ltd Partnership	Scotland	Limited Partnership, 100%	1
Partners Group Phoenix LP Class A	Guernsey	Limited Partnership, 72%	16
Partners Group Phoenix LP Class B	Guernsey	Limited Partnership, 100%	16
Partners Group Phoenix LP Class C	Guernsey	Limited Partnership, 73%	16
Partners Group Phoenix LP Class D	Guernsey	Limited Partnership, 64%	16
ASI Phoenix Fund Financing SCSp (PLFF)	Luxembourg	Special Limited Partnership, 100%	5

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Pearl Private Equity LP	Scotland	Limited Partnership, 100%	1
Pearl Strategic Credit LP	Scotland	Limited Partnership, 100%	1
SLI UK Shopping Centre Unit Trust	Jersey	Unit Trust, 40%	7
The Standard Life Assurance Company of Europe B.V.	The Netherlands	Ordinary Shares, 100%	17
SL Capital Infrastructure I Loan	Scotland	Limited Partnership, 100%	1
SL Capital Infrastructure II Loan	Scotland	Limited Partnership, 100%	1
Stonepeak Core	Luxembourg	Unit Trust, 83%	19
SLAL Transition Fund PHETRNS2PFZZClass	England and Wales	Unit Trust, 100%	3
UK Commercial Property REIT	Guernsey	Investment Trust, 27%	16
SLA (HWPF) Lux S.a.r.l	Luxembourg	Limited Partnership, 100%	5
PUTM ACS Asia Pacific ex Japan Fund	England and Wales	ACS, 100%	3
PUTM ACS Emerging Markets Fund	England and Wales	ACS, 100%	3
PUTM ACS European Ex UK Fund	England and Wales	ACS, 100%	3
PUTM ACS Japan Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Lothian European Ex UK Fund	England and Wales	ACS, 100%	3
PUTM ACS Lothian North American Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Lothian UK Gilt Fund	England and Wales	ACS, 100%	3
PUTM ACS Lothian UK Listed Smaller Companies Fund	England and Wales	ACS, 100%	3
PUTM ACS North American Fund	England and Wales	ACS, 100%	3
PUTM ACS North American Fund 2	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index Asia Pacific Ex Japan Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index Emerging Markets Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index European Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index Japan Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index UK Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS Sustainable Index US Equity Fund	England and Wales	ACS, 100%	3
PUTM ACS UK All Share Listed Equity Multi Manager Fund	England and Wales	ACS, 99%	3
PUTM Bothwell Asia Pacific (Excluding Japan) Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Emerging Market Debt Unconstrained Fund	England and Wales	Unit Trust, 99%	3
PUTM Bothwell Emerging Markets Equity Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Euro Sovereign Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell European Credit Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Floating Rates ABS Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Global Bond Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Global Credit Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Index-Linked Sterling Hedged Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Long Gilt Sterling Hedged Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Short Duration Credit Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Sterling Credit Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Sterling Government Bond Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Sub-Sovereign Bond Fund	England and Wales	Unit Trust, 100%	3

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PUTM Bothwell Tactical Asset Allocation Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell UK Listed Equity Income Fund	England and Wales	Unit Trust, 100%	3
PUTM Bothwell Ultra Short Duration Fund	England and Wales	Unit Trust, 100%	3
PUTM Far Eastern Unit Trust	England and Wales	Unit Trust, 99%	3
PUTM UK All-Share Index Unit Trust	England and Wales	Unit Trust, 100%	3
PUTM UK Stock Market Fund	England and Wales	Unit Trust, 100%	3
PUTM UK Stock Market Fund (Series 3)	England and Wales	Unit Trust, 100%	3
PUTM UK Stock Market Fund (Series 3)	England and Wales	Unit Trust, 99.94%	3

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

Registered office addresses

1. 1 George Street, Edinburgh. EH2 2LL.
2. 4 Broadgate, London, England. EC2M 2DA
3. 1 Wythall Green Way, Wythall, Birmingham. B47 6WG.
4. 77 Coleman Street, London, England. EC2R 5BJ.
5. 35a Avenue J.F. Kennedy, L-1855, Luxembourg.
6. Bow Bells House, 1 Bread Street, London. EC2M 9HH
7. Elizabeth House, 9 Castle Steet, St Hellier, Jersey. JE4 9WG.
8. Calton Square, 1 Greenside Row, Edinburgh. EH1 3NA.
9. 70 Sir John Rogerson's Quay, Dublin 2 Ireland.
10. 4th Floor, The Walbrook Building, 25 Walbrook, London. EC4N 8AF.
11. 12 Throgmorton Avenue, London. EC2N 2DL.
12. 160 Queen Victoria Street, London. EC4V 4LA.
13. 201 Bishopsgate, London. EC2M 3AE.
14. Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
15. 32 Molesworth Street, Dublin 2, Dublin. D02 Y512. Ireland.
16. Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands. GY1 6BD.
17. c/o Citco Nederland B.V, Naritaweg, 165 1043 DW Amsterdam, The Netherlands
18. Standard Life House, 30 Lothian Road, Edinburgh. EH1 2DH.
19. 20, re de la Poste, 2346 Luxembourg.
20. rue Eugéne Ruppert 2-4 2453 Luxembourg.
21. 5 Allée Scheffer L-2520 Luxembourg.
22. c/o FundRock Management Company S.A., 33, rue de Gasperich, L-5826 Hesperange, Luxembourg.
23. 70 Sir John Rogerson's Quay, Dublin, Ireland, D02 R296.
24. 1st Floor, 2 Ballsbridge Park, Ballsbridge Dublin 4, Ballsbridge, Dublin, Ireland. D04 YW83.
25. 78 Cannon Street, London, EC4N 6AG.
26. Perpetual Park, Perpetual Park Drive, Henley on Thames, Oxfordshire, England. RG9 1HH.
27. Ropemaker Place, 28 Ropemaker Street, London. EC2Y 9HD.
28. 33 Sir John Rogerson's Quay, Dublin 2, Ireland.
29. Weena 850, 3014 Da Rotterdam, The Netherlands.
30. 5 rue Hoehenhof, L-1736 Senningerberg, Luxembourg.
31. 2-4 Eugène Ruppert, L2453 Luxembourg, Grand Duchy of Luxembourg.
32. Chase Manhattan House, International Financial Services Centre, Dublin 1 Ireland.

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42. Impacts of transition to UK GAAP

Reconciliation of equity	**Notes**	31 December 2022 £m	31 December 2021 £m
Equity as reported under IFRS		1,964	1,966
Valuation of technical provisions	b)	(19)	(105)
Valuation of investments held for strategic purposes	c)	31	45
Tax impact of adjustments	d)	2	13
Equity as restated under UK GAAP		1,978	1,919

Reconciliation of profit / (loss)	**Notes**	31 December 2022 £m
Loss as reported under IFRS		(135)
Valuation of technical provisions	b)	86
Valuation of investments held for strategic purposes	c)	(14)
Tax impact of adjustments	d)	(11)
Loss as restated under UK GAAP		(74)

Notes to reconciliations on adoption of UK GAAP

a) Presentational changes

As a result of applying Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, there have been presentational changes to the Statement of comprehensive income and the Statement of financial position. These include impacts to deposit accounting arising from contract reclassifications and the requirement to show unit-linked fund balances under assets held to cover linked liabilities, resulting in differences on items such as cash at bank and in hand and gross premiums written, from those presented under UK adopted IAS. Additionally, the classification of contracts has been aligned to IFRS 17 *Insurance contracts*, which is in compliance with FRS 103. There has been no change in the measurement of such items except as described above.

b) Valuation of technical provisions

Under UK GAAP, technical provisions are measured under FRS 103 and IFRS 9. There are no material required changes in the measurement from that previously reported under IFRS 4 & IAS 39. As permitted on transition, the Company has updated some assumptions, including discount rates applied, to better reflect the way in which the Company manages its assets and liabilities and to align more closely with regulatory measures. This has resulted in immaterial differences to values previously reported, as noted above. There is no impact to the recognition or de-recognition, classification or measurement category of technical provisions or financial instruments as a result of the transition to UK GAAP.

c) Adjustment to investment in subsidiaries

Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 does not allow for investments in subsidiaries to be measured at cost less impairment. As a result, the valuation of subsidiaries held for strategic purposes moved to fair value through profit or loss on transition. There was no impact to the recognition or classification of investment in subsidiaries as a result of the transition to UK GAAP. Further detail on valuation is given in note 17.

d) Tax impact of adjustments

The only impact to tax charges or balances are as a result of change in valuation to technical provisions.