SUNLIFE LIMITED

Company Registration Number: 5460862

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

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Strategic report

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

The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with UK adopted international accounting standards.

Business review

Principal activities

The Company is regulated by the Financial Conduct Authority ("FCA"). The principal activity of the company is to distribute SunLife branded products on behalf of its immediate parent company, Phoenix Life Limited ("PLL") and certain third parties. The Company's ultimate parent is Phoenix Group Holdings plc ("the Group").

Climate change: activity in the year and future developments

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

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

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

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

In 2023 the Group published its Net Zero Transition Plan which sets out the strategy in detail and the actions that the Group will take across three core pillars: Invest, Engage and Lead to deliver the net zero targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in their plan.

More information about the Group's overall approach to managing it's impact can be found on the Group website, www.thephoenixgroup.com.

Financial performance

The results of the Company for the year are shown in the Statement of comprehensive income on page 15. The profit before tax was £14.8m (2023: £20.5m).

Dividends totalling £15.3m were paid to the parent company during the year (2023: £15.8m).

Key Performance Indicators ('KPIs')

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

Capital resources

As the Company is regulated by the FCA, it regularly reviews and forecasts its adjusted net asset position as determined by Chapter 13 of IPRU (INV). At 31 December 2024, the Company had an excess over its regulatory capital requirements of £23.8m (2023: £27.8m).

Profits after taxation and distributable reserves

For the year ended 31 December 2024 the Company reported a profit after taxation of £11.2m (2023: £15.7m). As at 31 December 2024, the Company had distributable reserves amounting to £21.1m (2023: £25.3m).

Cash flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2024, operations generated cash of £14.9m (2023: £29.0m) and cash and cash equivalents totalled £42.7m (2023: £48.8m) as at 31 December 2024.

Section 172 Statement

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

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

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

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

Key Stakeholder Groups	Link to strategic priorities	How has the Board engaged with and had oversight of stakeholder views during the year?	The Board's role in promoting positive stakeholder relationships
Customers - Our customers span a broad spectrum of products and services, from individual life insurance to equity release services. The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.	• Optimise our inforce business; and • Grow organically.	• The Board sought to understand whether customer needs were being met through consideration of regular reports on customer service, customer satisfaction and complaints.	The Board holds management to account throughout the year, ensuring due care and attention is given to customer outcomes and needs.
Suppliers and Strategic Partners - We depend on our third party suppliers and partners to help us to deliver the highest standards in relation to the products and services we offer and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our third parties and strategic partners is core to the Group achieving its purpose of helping people secure a life of possibilities.	• Optimise our in force business; and • Enhance our operating model and culture.	• The Board received regular reports from management on ongoing customer service performance and outsourced services, including operational resilience. • Relationships with third parties were monitored via regular updates to the Board.	The Board monitors the performance of its third parties and strategic partners to ensure the Company is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with third parties and strategic partners are vital to the success of both parties.
Colleagues - Our colleagues 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.	• Grow organically; and • Enhance our operating model and culture.	• The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management.	The Group Board is responsible for setting cultural tone for all Group colleagues. However, the Company Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Company.

Community - The most significant way in which we impact the community is through the way in which we carry out our business. The Board understands the value of building trust and inspiring confidence within the community. For example, the Company is proud to support the British Heart Foundation.	• Optimise our in-force business; • Grow organically; and • Enhance our operating model and culture.	• The Board oversaw development and implementation of the Company's strategy.	The Board monitors performance against agreed strategy within the wider parameters of the Phoenix Group-wide Strategy.
Investors – Our sole shareholder is Phoenix Life Limited. As a Phoenix Group company, our ultimate shareholder is Phoenix Group Holdings plc (PGH). The Board recognises the role it plays in driving growth to help the Group meet the needs of its customers.	• Optimise our in-force business; • Grow organically; and • Enhance our operating model and culture.	• The governance framework within which the Board operates is designed to facilitate good information flows between and robust decision-making at all levels within the Group. • During the year, the Board approved the payment of a dividend.	The Board maintains strong links with its ultimate parent, PGH, through regular reporting and interaction with the Company Board and its committees and vice versa.
Government, trade bodies & regulators - Our business is regulated by the Financial Conduct Authority (FCA). The Board acknowledges the importance of maintaining positive relationships with the Company's regulator to enable good outcomes for its customers.	• Grow organically; and • Enhance our operating model and culture.	• The Board received updates on management's interactions with the regulator and any feedback received from it. • Board directors met with the regulators as required from time to time. • The Board receives regular Regulatory Reports outlining key developments and matters to the extent that they are relevant to the Company.	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.

Key Board Decision	**YE23 Annual Accounts**
Link to strategic priorities	**How the Board reached its decision**
Optimising our in-force business.	CONSIDERATION OF S172 MATTERS As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. The Board considered supporting paperwork presented by the Company's finance team, together with the outcome of an external audit for the accounts, including assessments relating to the impact of market uncertainty. Such consideration enabled the Board to reach a decision to approve the YE23 accounts, within which a going concern statement was included. The long-term impact of the decision to approve the YE23 accounts therefore included the potential reliance of those reading the accounts on the going concern statement which the Board considered to be relevant and accurate.
Outcome	Following due consideration of the matters set out in section 172, and in particular the likely consequences of any decisions in the long term and the desire for the Company to maintain a reputation for high standards of business conduct, the Board approved the YE23 accounts.
Key Board Decision	**Capital Management Policy and Dividend**
Link to strategic priorities	**How the Board reached its decision**
Optimising our in-force business; and **Grow organically.**	CONSIDERATION OF S172 MATTERS The Board received a paper setting out the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available for a distribution to the Company's sole shareholder, Phoenix Life Limited. As part of the process to consider the dividend proposal, the Board reviewed changes to the Company's Capital Management Policy made in order to reflect budgeted business volumes, alongside the most recent lapse assumptions and contractual commitments. The Board noted that the proposed changes would allow the Company to remain robustly capitalised following the payment of any dividend. As part of its ongoing oversight of the business, the Company's regulator sets a minimum capital requirement which must be maintained. In considering the dividend proposal, the Board ensured that this minimum requirement was adequately met and further protected by an additional capital buffer. This, together with consideration of the long term consequences of the proposal, ensured that the Company's customers, strategic partners and employees were not adversely impacted by any decision to pay a dividend.
Outcome	Following due consideration of the matters set out in section 172, the Board approved both the revised Capital Management Policy and the payment of a dividend to the Company's sole shareholder, Phoenix Life Limited.

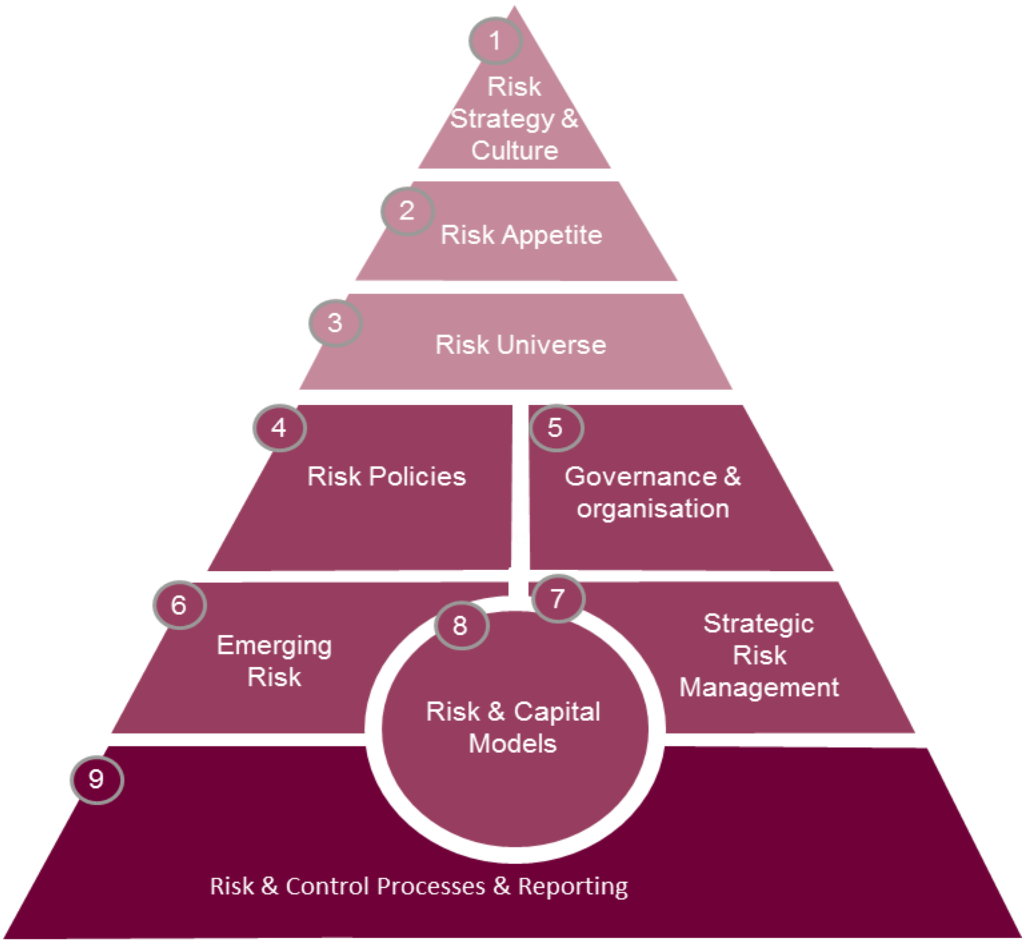
Key Board Decision	**Annual attestation of SunLife's Conduct Strategy / Consumer Duty Strategy**
Link to strategic priorities	**How the Board reached its decision**
Enhance our operating model and culture.	CONSIDERATION OF S172 MATTERS The Board considered a report seeking approval for the continued use of the Company's Conduct Risk Reporting Methodology on the basis that it supported ongoing identification and assessment of good customer outcomes. It was noted that this work contributed to maintaining the good relationships that the Company sought to foster with its customers and regulator. It also ensured that the highest standards of business continued to be upheld. In reviewing the proposal, and in order to approve the assessment of whether the Company was delivering expected outcomes in line with Consumer Duty requirements, the Board sought further information and supporting evidence from management.
Outcome	Following due consideration of the matters set out in section 172 and having reviewed the additional information and evidence requested, the Board concluded that the Company continued to comply with its obligations under the Consumer Duty and that the Company's business strategy remained consistent with these obligations. It also approved the continued use of the existing conduct and customer risk reporting for the ensuing year.
Key Board Decision	**Equity Release Propositional Change**
Link to strategic priorities	**How the Board reached its decision**
Optimising our in-force business; and **Grow organically.**	CONSIDERATION OF S172 MATTERS The Board considered a proposal to add an advice fee to the Company's equity release proposition and to take on a specific programme of email-only activity ("the nurture programme") presently undertaken by one of its strategic suppliers. In reviewing the advice fee element of the proposal, the Board noted that the introduction of such a fee would allow the majority of the Company's customers to benefit from access to better-priced products, a reduction in whole of market fees and access to a wider range of loan to value options and product variations. In particular, the Board noted the analysis undertaken to determine at which point a customer would be better or worse off if an advice fee was introduced. In relation to the nurture programme, the Board recognised the long-term benefits to both the Company and its customers, which included the ability to tailor messaging to different audiences and improving customer experience outcomes.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the proposed equity release propositional change proposal.

Key Board Decision	**IT Managed Service solution**
Link to strategic priorities	**How the Board reached its decision**
Enhance our operating model and culture.	CONSIDERATION OF S172 MATTERS During the year the Board considered a proposal to move the Company's core IT services to a standalone Cloud-based solution via a new supplier. In reviewing the proposal, the Board noted that the change in supplier and move to Cloud architecture was essential to the Company's prioritised change programme, which supported the Company's broader Strategy and Business Plan over the longer term. In particular, the proposal would also support the migration of other key Company services to the Cloud in future. In considering whether the proposal ensured that the highest standards of business conduct were met, the Board reviewed the criteria for supplier selection, which included operational and cultural fit with the Company, supplier credentials and due diligence and financials. Operational resilience and cyber security risks were also key factors considered by the Board. It was also noted that the transition programme would be closely monitored, with regular progress updates to be provided to the Board.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the shift to a Cloud-based solution and appointment of the new supplier.
Key Board Decision	**Addition of a Health & Wellbeing Propositional Offering**
Link to strategic priorities	**How the Board reached its decision**
Optimising our in-force business; and **Grow organically.**	CONSIDERATION OF S172 MATTERS The Board considered a proposal to add a free to customer, health and wellbeing service for new Guaranteed Over 50 Plan customers. In reviewing the proposal, the Board noted the feedback from research commissioned by the Company to identify the customer need. The Board also noted the intention to offer the service at no additional cost to the customer. The Board noted the due diligence performed, financial considerations and exit provisions.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the proposed addition of a health and wellbeing service.

Principal risks and uncertainties

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 2024.



The principal risks and uncertainties facing the Company are:

- the risk that the Group, including the Company, fails to appropriately prepare for and manage the effects arising from Climate Change and wider Environmental, Social and Governance risks (climate risk);
- the risk that inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements result in poor customer outcomes leading to reputational, financial and/or operational detriment (customer outcomes risk);
- the risk that regulatory change or interpretation impacts the products offered to the Company's customers (product related regulatory change risk)
- the risk of architecture / data breach by external sources / actors or internal users, whether by accident or malicious intent (information security risk)
- the risk that the Company has insufficient capital to meet its regulatory capital requirements (capital management risk);
- the risk arising from an adverse movement in lapse rates leading to losses (lapse risk);
- the risk that the Company is unable to meet short-term cash flow requirements (liquidity risk);
- the risk of financial or reputation loss associated with outsourced partners and third party suppliers (third party risk).
- the risk arising from counterparty default in relation to amounts due from distribution partners and bank deposits leading to financial loss (credit risk).

The risks noted above are discussed further in note 23.

On behalf of the Board

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

31 March 2025

Directors' report

SunLife Limited ("the Company") is incorporated in England and Wales as a private limited company. Its registration number is 5460862 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

Corporate governance
The Company, as part of a group wide framework, has established a governance framework for monitoring and overseeing strategy, operation of its business and compliance with applicable regulatory conduct standards that includes:

- a clear organisational structure with documented delegations of authority;
- matters reserved for the Board and written terms of reference for its committee;
- an Audit and Risk Committee, the members of which comprise not less than three members, all of whom are appointed by the Board from amongst and including, but not limited to, the independent non-executive Directors of the Company. The Committee's role is to monitor the overall integrity of the financial reporting by the Company, to review the overall effectiveness of the internal control and risk management systems of the Company, to monitor the overall effectiveness of the Internal Audit function of the Company, to oversee the relationship with the external auditors of the Company, to advise the Board on risk appetite and tolerance in setting the future strategy, taking account of the Board's overall degree of risk aversion, the current financial situation of the Company and the Company's capacity to manage and control risks within the agreed strategy; and
- the operation of a three lines of defence model with 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.

The Board is comprised of 4 non-executive Directors and 1 executive Director.

Going concern
The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, it discusses the principal risks and uncertainties it faces. Notes 22 and 23 to the financial statements summarise the Company's capital management and risk management objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's *"Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (issued April 2016)* when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have considered cash flow and solvency forecasts, based on reasonable assumptions. Furthermore, the Directors have assessed sensitivities to key assumptions and reverse stress tests considering adverse changes to customer response rates, lapse rates, expense inflation, and adverse outcomes in respect of credit and regulatory risk. Such assessments are considered for a period of no less than 12 months from the date of publishing these financial statements.

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. 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 or who held office as at the date of signature of this report are as follows:

K Cook (appointed 1 March 2025)
D Miller
N Poyntz-Wright
M Screeton
C Williams

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

Matters disclosed in strategic report
The Directors' duties section of the strategic report covers stakeholder engagement. Any dividends paid or proposed are also disclosed in the strategic report.

Statement on Business Relationships

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

- **Business relationships with Partners/Suppliers**
  The Company's Board has oversight of the relationship with third parties and its schedule of matters reserved includes the responsibility for monitoring the performance of those partners and service providers.

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

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

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

Auditor appointment
On 10 June 2024, Ernst & Young LLP resigned as auditors having reached the maximum period of service for an auditor of a Public Interest Entity under the mandatory auditor rotation requirements for another Company within the Group.

In accordance with section 485 of the Companies Act 2006, KPMG LLP were appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006. The appointment of KPMG LLP as auditor of the Company was approved by the Board.

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

On behalf of the Board

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

31 March 2025

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK adopted international accounting standards 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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

Independent auditor's report to the members of SunLife Limited

Opinion
We have audited the financial statements of SunLife Limited ("the Company") for the year ended 31 December 2024 which comprise the statement comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

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

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:
- Enquiring of directors, internal audit, and members of management, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as the commission clawback provision and the variable consideration due for the sale of FBO products, leading to commission income being over or understated during the year.

We did not identify any additional fraud risks.

We performed procedures including:
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included, but not limited to, journals posted in seldom used accounts, journals posted with unusual account pairings, and journals containing words determined to be high risk.
- Assessing whether the judgements made in making accounting estimates, including the clawback provision and variable consideration due for FBO products, are indicative of a potential bias.

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

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and money laundering, financial crime, environmental law, employment law, regulatory capital and liquidity, recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We assessed the legality of the distribution in the period based on the Company's distributable reserves.

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

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

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

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Signed by:
9FA989C6D6A94AC...

Achin Kukreja (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
Canary Wharf
London, E14 5GL
31 March 2025

Statement of comprehensive income
for the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Revenue	3	75,352	86,759
Interest income		2,223	2,006
Administrative expenses	4	(62,724)	(68,247)
Profit for the year before finance costs and tax		14,851	20,518
Finance costs	5	(21)	(31)
Profit for the year before tax		14,830	20,487
Tax charge	8	(3,662)	(4,800)
Profit for the year		11,168	15,687
Other comprehensive income		-	-
Total comprehensive income for the year		11,168	15,687

Statement of financial position
as at 31 December 2024

	Notes	As at 31 December 2024	As at 31 December 2023
		£000	£000
Assets			
Property, plant and equipment	10	1,204	1,699
Deferred tax asset	11	66	105
Prepayments and accrued income	12	5,183	5,146
Contract assets	13	5,787	5,661
Other receivables	14	518	-
Cash and cash equivalents	15	42,681	48,796
Total assets		55,439	61,407
Liabilities			
Provisions	16	15,750	16,080
Accruals	17	9,131	9,255
Lease liabilities	18	1,182	1,757
Other payables	19	3,241	4,026
Total liabilities		29,304	31,118
Equity			
Share capital	20	5,000	5,000
Retained earnings		21,135	25,289
Total equity		26,135	30,289
Total equity and liabilities		55,439	61,407

On behalf of the Board

Signed by:
Mark Screeton
A65C40AB8A104D3...

M Screeton
Director

31 March 2025

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

	Share capital (note 20) £000	Retained earnings £000	Total £000
At 1 January 2024	5,000	25,289	30,289
Profit for the year	-	11,168	11,168
Total comprehensive income for the year	-	11,168	11,168
Dividends paid on ordinary shares (note 9)	-	(15,300)	(15,300)
Deferred tax charge on share schemes (note 11)		(22)	(22)
At 31 December 2024	5,000	21,135	26,135

Of the above, £21.1m (2023: £25.3m) is considered distributable.

	Share capital (note 20) £000	Retained earnings £000	Total £000
At 1 January 2023	5,000	25,402	30,402
Profit for the year	-	15,687	15,687
Total comprehensive income for the year	-	15,687	15,687
Dividends paid on ordinary shares (note 9)	-	(15,800)	(15,800)
At 31 December 2023	5,000	25,289	30,289

Statement of cash flows
for the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Cash flows from operating activities			
Cash generated from operations	21	14,871	28,951
Tax paid		(5,090)	(5,714)
Net cash flows from operating activities		9,781	23,237
Cash flows from financing activities			
Ordinary share dividends paid	9	(15,300)	(15,800)
Interest paid	5	(21)	(31)
Repayment of principal lease liabilities	18	(575)	(466)
Net cash flows from financing activities		(15,896)	(16,297)
Net (decrease) / increase in cash and cash equivalents		(6,115)	6,940
Cash and cash equivalents at the beginning of the year		48,796	41,856
Cash and cash equivalents at the end of the year	15	42,681	48,796

Supplementary disclosures on cash flow from operating activities

	2024 £000	2023 £000
Interest received	2,223	2,006

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation
The financial statements have been prepared on a historical cost basis.

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

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

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

The 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.

Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period assessed. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Climate change
The Company has considered the potential impacts of climate change on the financial statements, including on key assumptions and estimates used in the valuation of reported assets and liabilities, and concluded that there are no material implications at this time. Impacts of climate change will remain under review by the Company and the wider Group.

Statement of compliance
The financial statements of the Company for the year ended 31 December 2024 have been prepared in accordance with UK adopted international accounting standards.

(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. 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 contract assets, revenue recognition and the determination of provisions as discussed in accounting policy (e), (j) and (h) respectively.

(c) Income tax
Income tax comprises of current tax 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 the statement of comprehensive income, in which case it is recognised as other comprehensive income in that statement.

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(d) Financial assets
Financial assets are measured at amortised cost where they have:

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

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

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

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ("ECL"). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables and contract assets within the scope of IFRS 15, as these are always measured at an amount equal to lifetime ECLs. See note 23 for details of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

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

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

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

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

(e) Contract assets
A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company satisfies its performance obligation to the customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(f) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement.

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

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

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

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

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

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

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

(h) 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.

(i) 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.

(j) Revenue recognition

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to a customer. The Company acts as an agent and records all commission expenses net of revenue. For each contract with a customer, the Company identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Variable consideration within the transaction price is present in certain contracts when the Company's right to consideration is contingent on the occurrence of a future event. Variable consideration is determined using the 'expected value' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

(k) Interest income

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

(l) Share capital

Ordinary share capital

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

(m) 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.

(n) Expense recognition

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Phoenix Group Holdings Plc's, the Company's ultimate parent company, estimate of equity instruments that will eventually vest. At each period end, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate. These charges are assessed and agreed by the Board.

2. Financial information

The financial statements for the year ended 31 December 2024, set out on pages 15 to 34, were authorised by the Board of Directors for issue on 31 March 2025.

Adoption of New Accounting Pronouncements in 2024
In preparing the financial statements, the Company has adopted the following amendments to standards effective from 1 January 2024 which have been endorsed by the UK Endorsement Board ('UKEB'):

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

None of the above amendments are considered to have a significant impact on the Company's financial statements or accounting policies. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New Accounting Pronouncements Not Yet Effective
The IASB has issued the following amendments to standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, amendments or interpretations where this is permitted.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (1 January 2026): The IASB issued targeted amendments to IFRS 9 (*Financial Instruments*) and IFRS 7 (*Financial Instruments: Disclosures*) to respond to recent questions arising in practice. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest ('SPPI') criterion.
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income ('FVOCI').

The amendments are not expected to have a material impact on the financial statements of the Company.

IFRS 19 *Subsidiaries without Public Accountability* (1 January 2027): IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Group is assessing the impact to the reporting of its subsidiaries, including the Company. It is not currently expected that this standard will have an impact on the financial statements of the Company.

IFRS 18 *Presentation and Disclosure in Financial Statements* (1 January 2027): The new standard will replace IAS 1 Presentation of financial statements, introducing new requirements for the structure and content of financial statements , including improved disaggregation of income and expenses , and enhanced guidance on management-defined performance measures that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Its effects are expected to be pervasive. During 2025 the Company will carry out a detailed impact assessment to identify the actions required and any impacts. The Company will apply the standard from its mandatory effective date of 1 January 2027. Retrospective application is required and so comparative information for the financial year ending 31 December 2026 will be restated, where required, in accordance with IFRS 18,. Reconciliations for each line item affected will be provided.

Annual Improvements to IFRS Accounting Standards — Volume 11 (1 January 2026)
As part of the IASB's Annual Improvements process it has issued minor amendments to address potential areas of confusion within the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards - hedge accounting by a first-time adopter); IFRS 7 Financial Instruments: Disclosures - gain or loss on derecognition and clarifications within implementation guidance; IFRS 9 Financial Instruments - lessee derecognition of lease liabilities and transaction price; and IAS 7 Statement of Cash Flows - cost method.

The Company does not expect these amendments to have a material impact on its operations or financial statements.

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

- Annual Improvements to IFRS Accounting Standards — Volume 11.

3. Revenue

	2024	2023
	£000	£000
Revenue from contracts with customers:		
Business manufactured within PLL	73,787	85,043
Third party business	1,565	1,716
	75,352	86,759

Revenue from contracts with customers represents net commission income generated from providing distribution services to the Company's immediate parent, Phoenix Life Limited ("PLL") and certain third parties, allowing for expected future commission clawback as a result of policy lapses.

The performance obligation in respect of these contracts is satisfied at the point the policy is sold, or upon the attachment of a Funeral Benefit Option ("FBO") to the customer's Guaranteed over 50's policy. The consideration amount for certain contracts with third parties is variable and has been estimated using the expected value method, using lapse, funeral redemption and mortality assumptions based on historical experience. The amount of variable consideration included within third party business above is £126,000 (2023: £258,000).

4. Administrative expenses

	2024	2023
	£000	£000
Employee costs	9,506	8,427
Other operating expenses	42,032	48,048
Movement in provisions – gift card additions (note 16)	10,628	11,181
Movement in provisions – revaluation of right-of-use asset (note 16)	28	94
Operating lease rentals	7	3
Depreciation on right-of-use asset (note 10)	523	494
	62,724	68,247

Administrative services are provided by Phoenix Group Management Services Limited, a fellow group company.

Other operating expenses consists of costs for advertising & promotion and IT supplier services.

Employee costs comprise:

	2024	2023
	£000	£000
Wages and salaries (including termination benefits)	7,799	6,958
Social security contributions	868	738
Other pension costs	839	731
	9,506	8,427

	2024	2023
	Number	Number
Average number of persons employed	118	116

5. Finance costs

	2024	2023
	£'000	£'000
Interest expense on lease liabilities (note 18)	21	31

6. Directors' remuneration

	2024 £000	2023 £000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	605	653
Share option schemes and other long-term benefits	261	463

	2024 Number	2023 Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	1	2

	2024 £000	2023 £000
Highest paid Director:		
Remuneration	468	486
Long term benefits	209	210

The Executive Directors are employed by PGMS, a fellow group company. 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.

7. Auditor's remuneration

The remuneration of the auditors of the Company in respect of the audit of the financial statements was £33,000 (2023: £32,000). In addition, audit related assurance services of £27,000 were incurred during the year (2023: £5,000).

8. Tax charge

Current year tax charge

	2024 £000	2023 £000
Current tax:		
UK Corporation tax	3,703	4,830
Adjustment in respect of prior years	(58)	19
Total current tax	3,645	4,849
Deferred tax		
Origination and reversal of temporary differences	-	20
Adjustment in respect of prior years	17	(69)
Total deferred tax	17	(49)
Total tax charge	3,662	4,800

Reconciliation of tax charge

	2024 £000	2023 £000
Profit before tax	14,830	20,487
Tax at standard UK rate of 25% (2023: 23.5%)	3,703	4,814
Adjustment in respect of prior years	(41)	(50)
Share based remuneration	-	36
Total tax charge for the year	3,662	4,800

9. Dividends on ordinary shares

	2024 £000	2023 £000
Final dividend for 2024 at 306p (2023: 316p) per share	15,300	15,800

10. Property, plant and equipment

Set out below is the carrying amount of the right-of-use assets recognised and the movements during the period:

Property - right of use assets

	2024 £000	2023 £000
As at 1 January	1,699	1,722
Additions	-	377
Adjustments to leasehold property provision (note 16)	28	94
Depreciation expense (note 4)	(523)	(494)
As at 31 December	1,204	1,699

The right-of-use asset relates to lease commitments in respect of Redcliff Quay which is office space leased by the Company. The leases commenced in March 2017 and expire in March 2027.

11. Tax assets and liabilities

	2024 £000	2023 £000
Deferred tax asset	66	105

Movement in deferred tax asset

Year ended 31 December 2024

	At 1 January £000	Prior year adjustments £000	Recognised in the Statement of changes in equity £000	At 31 December £000
Provisions and other temporary differences	63	(39)	-	24
Accelerated capital allowances	19	-	-	19
Share schemes	23	22	(22)	23
	105	(17)	(22)	66

Year ended 31 December 2023

	At 1 January £000	Prior year adjustments £000	Recognised in the Statement of comprehensive income £000	At 31 December £000
Provisions and other temporary differences	34	29	-	63
Accelerated capital allowances	22	-	(3)	19
Share schemes	-	40	(17)	23
	56	69	(20)	105

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

The UK corporation tax rate for the period is 25%. Deferred tax assets and liabilities, where provided, are reflected at the UK corporation tax rate of 25%.

12. Prepayments and accrued income

	2024	2023
	£000	£000
Prepayments	1,158	1,149
Accrued Income	4,025	3,997
	5,183	5,146
Amount recoverable after 12 months	-	-

13. Contract assets

	2024	2023
	£000	£000
As at 1 January	5,661	5,403
New contract assets recognised	508	935
Contract assets derecognised	(382)	(677)
As at 31 December	5,787	5,661
Amount recoverable after 12 months	5,513	5,381

Contract assets with customers are in respect of commission arrangements where FBO's are added to Guaranteed over 50 policies. Commission on certain policies is received when the policyholder reaches a minimum age and for other policies is received upon redemption of the FBO. As the performance obligation occurs when the FBO is applied to the policy, no further services are required by the Company for the commission to become receivable.

The consideration amount for these contracts is variable and has been estimated using the expected value method, using lapse, policyholder removals, funeral redemption and mortality assumptions based on historical experience.

The Company has performed sensitivity analysis of possible changes in the assumptions. The historical levels of FBO redemptions is considered the only significant estimate used to calculate the expected value of the contract assets. A 10% increase in the non-redemption assumption would result in a decrease in the reported value of contract assets of £1,336,000 (2023: £1,144,000). The Company anticipates that a 10% increase is reasonably possible taking into account historic experience, but the estimates may vary by larger amounts.

14. Other Receivables

	2024	2023
	£000	£000
Amounts due from fellow group companies	518	-
	518	-
Amounts recoverable after 12 months	-	-

15. Cash and cash equivalents

	2024	2023
	£000	£000
Bank and cash balances	6,387	9,904
Short term deposits	36,294	38,892
	42,681	48,796

16. Provisions

	Commission clawback	Leasehold property	Gift Card	Other	2024 Total
	£000	£000	£000	£000	£000
At 1 January 2024	13,552	688	1,774	66	16,080
Additions in the year	27,162	-	10,628	179	37,969
Revaluation of ROU asset	-	28	-	-	28
Utilised during the year	(28,382)	-	(9,793)	(152)	(38,327)
At 31 December 2024	12,332	716	2,609	93	15,750

The commission clawback provision represents the expected future clawback of commission income as a result of assumed lapses of policies or associated benefits. The lapse assumptions are based on historical experience for appropriate lines of business, reflecting the maturity of each policy at 31 December 2024.

The Company has performed sensitivity analysis of possible changes in lapse assumptions. A 5% worsening of the lapse assumptions would result in an increase in the commission clawback provision of £564,000 (2023: £621,000). The Company anticipates that a 5% increase is reasonably possible taking into account historic experience, but the estimates may vary by larger amounts.

The leasehold property provision is the Company's best estimate of the cost of removing alterations and returning its leased property to its original state at the end of the lease term. The timing of future cash outflows is dependent upon when the leases expire.

The gift card provision represents the Company's best estimate of the liability to make payments to policyholders in the form of gift cards as a welcome gift when taking out a policy.

The other provision represents the Company's contractual liability for the minimum guaranteed donation payable under a commercial participator agreement with a charitable partner.

17. Accruals

	2024	2023
	£000	£000
Accrued expenses	9,131	9,255
Amount due for settlement after 12 months	31	-

18. Lease liabilities

	2024	2023
	£000	£000
As at 1 January	1,757	1,846
Additions	-	377
Interest expense (note 5)	21	31
Payments	(596)	(497)
As at 31 December	1,182	1,757
Amount due after 12 months	596	1,182

Payments of £596,000 (2023: £497,000) consist of principal repayments of £575,000 (2023: £466,000) and interest expense of £21,000 (2023: £31,000).

Maturity analysis – contractual undiscounted cash flows

	2024 £000	2023 £000
Not later than one year	596	596
Later than one year and no later than five years	596	1,193
	1,192	1,789

Lease commitments are in respect of Redcliff Quay which is office space leased by the Company. The leases commenced in March 2017 and expire in March 2027.

The Company has elected not to recognise a lease liability for low value assets. Payments made under such leases are expensed on a straight-line basis.

The total cash outflow for leases (including the cash outflow for low value leases) for the year ended 31 December 2024 was £603,000 (2023: £500,000).

19. Other payables

	2024 £000	2023 £000
Amounts due to parent company	1,368	1,121
Amounts due to fellow group companies	195	1,940
Other payables	1,678	965
	3,241	4,026
Amount due for settlement after 12 months	-	-

20. Share capital

	2024 £000	2023 £000
Authorised: 5,000,100 (2023: 5,000,100) ordinary shares of £1 each	5,000	5,000
Issued and fully paid: 5,000,002 (2023: 5,000,002) ordinary shares of £1 each	5,000	5,000

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.

21. Cash flows

Cash flows from operating activities	2024 £000	2023 £000
Profit for the year before tax	14,830	20,487
Non-cash movements in profit for the year before tax		
Change in provisions	(330)	(1,138)
Depreciation of right of use asset	523	494
Interest on lease liabilities	21	31
Changes in operating assets and liabilities		
Change in property, plant and equipment	(28)	(471)
Change in prepayments	(37)	(194)
Change in contract assets	(126)	(258)
Change in other receivables	(518)	4,450
Change in accruals	(124)	3,945
Change in lease liabilities	-	377
Change in other payables	660	1,228
Cash generated from operations	14,871	28,951

The cash flow has been prepared using the indirect method.

22. Capital management

The Company's capital comprises share capital and reserves. At 31 December 2024, total capital was £26,135,000 (2023: £30,289,000).

The Company is regulated by the FCA and is subject to regulatory capital regulations that specify the minimum amount of capital that must be held. The Company manages capital in accordance with these rules and has embedded in its processes the necessary tests to ensure continuous and full compliance with such regulations. The Company monitored and maintained net assets in excess of its regulatory capital throughout the period. At 31 December 2024, the amount of capital that the Company was required to hold was £2,340,000 (2023: £2,528,000) and the excess capital over that required was £23,795,000 (2023: £27,761,000).

The company produces a five year financial forecast as part of the Phoenix Group annual planning process, which was presented to the Company's Board in September 2024. This showed a positive profitability and maintenance of net assets of the company significantly in excess of the minimum capital requirements over the period.

23. Risk management

The Phoenix Group Risk Management Framework ("RMF") sets out the high-level arrangements for risk management, control and assurance within Phoenix Group and its subsidiaries. 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 2024 Annual Report and Accounts. It is designed to provide a structured approach for identifying, assessing, controlling and monitoring financial and non-financial risks within Phoenix Group companies, which includes the Company.

Climate risk
Climate risk is defined as the risk of reductions in earnings and/or value related to the transition to a low carbon economy, and the physical impacts of climate change. This risk is treated as a cross-cutting risk which impacts all areas of the 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 a risk metrics and targets framework and establishing appropriate governance and risk management processes.

The Group has adopted a proactive approach towards combatting climate change. Key targets include a 2050 net zero carbon commitment for its investment portfolio, and interim decarbonisation targets for 2025 and 2030. Further details on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures (TCFD) within the Group's 2024 Annual Report and Accounts.

Customer outcomes risk
Customer outcomes risk can be defined as inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes leading to reputational, financial and/or operational detriment.

The Company adheres to a financial promotions development process, which includes financial promotions training and accreditation, an agreed set of financial promotions principles and a financial promotions code of reference. Financial promotions are approved by Line 1 Risk and a subset by Line 2 Risk prior to issue.

The Company's Telephony and Digital sales processes are subject to an annual assurance plan and are evidenced regularly through controls dashboards within risk governance.

Product related regulatory change risk
Product related regulatory change risk can be defined as the regulatory change or interpretation which impacts the products offered to the Company's customers.

The Company scans relevant regulator publications and this intelligence is shared across key business stakeholders.

Board directors and management of the Company meet with the regulators as required from time to time. Management's interactions with the regulator and any feedback received are shared with and duly considered by the Board.

Information security risk
Information security risk can be defined as the breach of architecture / data systems by industry wide external sources / actors or internal users, whether by accident or malicious intent.

The company maintains a regular patching and scanning regime and reports and monitors any resulting vulnerability actions.

The company maintains open communications and action resolution plans as required with the Group IT Security and third party IT suppliers in order to ensure investigation of and resolution to urgent and non-urgent identified industry threats.

The company ensures employees are adequately educated through phishing test, ongoing user IT communications and training.

Capital management risk
Capital management is discussed in note 22.

Lapse risk
The Company monitors lapse experience on a monthly basis at a product and business channel level. The Company also considers lead indicators including information regarding the policies going into arrears and those close to the end of the default process.

The Company utilises a retention program to provide customers going into arrears with relevant information and options.

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

Key components of the monitoring framework include regular monitoring of cash flows and regular reviews to identify cash flow requirements.

Third party risk
The Company has established processes and controls across the business to minimise the risk of reductions in earnings and/or value through financial or reputation loss associated with third party suppliers and partners. The Company's Commercial team maintain a close working relationship with business functions and the Group's Legal team and employ a regular attestation program to ensure all contracts are appropriately approved, regularly monitored and correctly maintained.

The Company carries the risk that the third parties used by the Company will no longer be able to provide the agreed services at an agreed cost and under the agreed timeframe. The Company manages this risk through established governance and relationship meetings together with regular updates from key third parties on their business continuity arrangements.

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

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

Category	**Description**	**Basis for recognising ECL**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition, indicated by an increase in past-due amounts	Lifetime ECL (not credit impaired)
In default	There is evidence indicating the asset is credit-impaired, indicated by an increase in past-due amounts over 6 months old and increased counterparty risk by adverse changes in their credit ratings	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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

Financial Assets	Note	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount £000	Loss Allowance £000	Net carrying amount £000
Contract assets	13	N/A	Performing	Lifetime ECL (simplified approach)	5,787	-	5,787
Intercompany receivable	14	N/A	Performing	12 month ECL	518	-	518
Cash and cash equivalents: Bank and cash balances	15	BBB+	Performing	12 month ECL	6,387	-	6,387
Cash and cash equivalents: Short term deposits	15	AAA	Performing	12 month ECL	36,294	-	36,294

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

Contract assets within the scope of IFRS 15 are shown separately and always measured at an amount equal to lifetime ECLs in accordance with accounting policy.

Cash and cash equivalents - The Company's cash and cash equivalents are held with two financial institutions, which have an AA and BBB investment grade rating and a stable outlook. The Company therefore considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparty and there being no history of default.

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

24. Share Based Payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each period end, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity.

Share-based payment expense

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

	2024	2023
	£'000	£'000
Expense arising from equity-settled share-based payment transactions	42	27

Long-Term Incentive Plan ('LTIP')

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

Assuming no good leavers or other events which would trigger early vesting rights, the 2022 and 2023 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, persistency, relative total shareholder return ('TSR'), decarbonisation, Group in-force long-term free cash (2023 LTIP only) and return on shareholder value (2022 LTIP only). The 2024 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on capital, cumulative net flows, decarbonisation and relative TSR and diversity and inclusion.

For all LTIP awards, a holding period applies so that any LTIP awards to Executive Committee members for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award date. Dividends will accrue on LTIP awards until the end of the holding period. There are no cash settlement alternatives.
2024 LTIP awards were granted on 28 March 2024 and are expected to vest on 28 March 2027. The 2021 LTIP awards vested on 12 March 2024. The 2022 awards will vest on 18 March 2025 and the 2023 awards will vest on 17 March 2026.

The fair value of these awards is estimated at the average share price in the three days preceding the date of grant, taking into account the terms and conditions upon which the instruments were granted. The fair value of the LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a 'market condition'. The fair value of the 2022, 2023 and 2024 TSR elements of the LTIP awards has been calculated using a Monte Carlo model. The inputs to this model are shown below:

	2024 TSR performance condition	2023 TSR performance condition	2022 TSR performance condition
Share price (£)	553.0	559.0	639.0
Expected term (years)	2.8	2.8	2.8
Expected volatility (%)	22	23	31
Risk-free interest rate (%)	4.00	3.31	1.21
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required		

On 20 September 2024, 4 October 2023 and 19 August 2022, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2022, 2023 and 2024 LTIP awards respectively.

Each year, the Group issues a Chair's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. The awards are granted on the same dates as the core 2022, 2023 and 2024 LTIP awards. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum good/good performance grading. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting.

Deferred Bonus Share Scheme ('DBSS')

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

The 2021 DBSS awards vested on 12 March 2024. The fair value of these awards is estimated at the average share price in the three days preceding the date of the grant, taking into account the terms and conditions upon which the options were granted.

Sharesave scheme

The sharesave scheme allows participating employees to save up to £500 each month for the UK scheme. The 2024 sharesave options were granted on 31 October 2024.

Under the sharesave arrangement, participants remaining in the Group's employment at the end of the three or five-year saving period are entitled to use their savings to purchase shares at a 20% discounted exercise price which is calculated using a three-day average share price immediately before invitations are issued to employees. Employees leaving the Group for certain reasons are able to use their savings to purchase shares if they leave prior to the end of their three or five-year period.

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

The following information was relevant in the determination of the fair value of the 2020 to 2024 UK sharesave options:

	2024 Sharesave	2023 Sharesave	2022 Sharesave	2021 Sharesave	2020 Sharesave
Share price (£)	4.912	4.448	6.142	7.486	5.664
Exercise price (£) (Revised)	4.18	3.780	5.090	5.890	4.970
Expected life (years)	3.10 and 5.10	3.10 and 5.10	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25
Risk-free rate (%) – based on UK government gilts commensurate with the expected term of the award	4.2 (for 3.10 year scheme) and 4.1 (for 5.10 year scheme)	4.7 (for 3.10 year scheme) and 4.5 (for 5.10 year scheme)	2.0 (for 3.25 year scheme) and 1.9 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.7 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.5 (for 5.25 year scheme)
Expected volatility (%) based on the Company's share price volatility to date	22.0	23.0	30.0	30.0	30.0
Dividend yield (%)	10.9	11.5	8.0	6.3	8.2

Movements in the year

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

	Number of share options 2024		
	LTIP	Sharesave	DBSS
Outstanding at the beginning of the year	10,619	72,035	8,432
Transferred in	-	835	-
Granted during the year	24,029	25,429	2,160
Forfeited during the year	(786)	(11,433)	-
Cancelled during the year	-	(5,981)	-
Exercised during the year	(516)	-	(10,592)
Outstanding at the end of the year	**33,346**	**80,885**	**-**

	Number of share options 2023		
	LTIP	Sharesave	DBSS
Outstanding at the beginning of the year	9,584	64,858	17,512
Granted during the year	1,725	36,456	2,064
Forfeited/cancelled during the year	(690)	(7,419)	-
Exercised during the year	-	(9,066)	-
Dividends on vested awards	-	(12,794)	(11,144)
Outstanding at the end of the year	**10,619**	**72,035**	**8,432**

The weighted average fair value of options granted during the year was £2.64 (2023: £0.86).

The weighted average share price at the date of exercise for the rewards exercised is £5.18 (2023: £5.46).

The weighted average remaining contractual life for the awards outstanding as at 31 December 2024 is 4.28 years (2023: 3.0 years).

25. Related party transactions

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

Administration
Phoenix Group Management Services Limited ("PGMS"), a fellow group company, provided administration services to the Company. The charge made to the Company for the year ended 31 December 2024 amounted to £597,000 (2023: £970,000) and at the end of the year £518,000 was receivable (2023: £281,000 payable).

Transactions with PLL
Commission received from PLL for the year ended 31 December 2024 amounted to £90,795,000 (2023: £99,382,000).

Amounts payable to PLL at the end of the year amounted to £1,368,000 (2023: £1,121,000).

The Company has a provision for commission clawback payable to PLL at 31 December 2024 of £11,276,000 (2023: £12,413,000).

During the year ended 31 December 2024, the Company made payments totaling £152,000 (2023: £225,000) to PLL as reimbursement for VAT liabilities settled by PLL on behalf of the Company. The Company received £443,000 (2023: £nil) from PLL for VAT partial exemption refunds.

During the year ended 31 December 2024, the Company paid dividends to PLL of £15,300,000 (2023: £15,800,000).

Amounts due to fellow group companies
At 31 December 2024, an amount of £195,000 (2023: £1,640,000) was payable to fellow group companies in respect of group tax relief. An amount of £nil (2023: £19,000) was payable to fellow group companies in respect of an outstanding settlement for a prior year tax adjustment.

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 27.

Key management compensation
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6. Other transactions are disclosed below:

	2024 £'000	2023 £'000
Key management personnel and their close family members transactions with Pensions and Savings products sold by the Group:		
Contributions in the year	10	6
Disinvestments in the year	-	34
Value of investments at year end	2,514	2,354

26. Contingent liabilities

In the normal course of business, the Company is exposed to certain legal issues, which involve litigation and arbitration. At 31 December 2024, the Company had no known contingent liabilities.

27. Other information

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