PHOENIX LIFE ASSURANCE LIMITED

Company Registration Number: 1419

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

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Strategic report

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

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

Business review

Principal activities

Prior to the transfer of all the long-term business and the majority of the Company's assets to Phoenix Life Limited ("PLL"), a fellow group company, detailed below, the principal activity of the Company was the provision of life assurance and pension products in the UK. Subsequent to the transfer, the Company's only activity has been the investment of the assets retained in the Company.

During the year, the life assurance operations within the Phoenix Group ("the Group") were subject to change for operational efficiency reasons. Court and regulatory permissions were obtained to complete a Part VII of the Financial Services & Markets Act 2000 transfer ("Part VII transfer") whereby the policies of customers within the Company were transferred to PLL. Associated assets and liabilities were also transferred at an accounting date of 30 September 2023. From this date on, although the Company remains regulated by the Prudential Regulation Authority ("PRA"), it no longer has customers or policies. On 30 May 2024, the Company submitted an application to the PRA for cancellation of its Part 4A permissions.

The Company has historically written a wide range of life and pensions business, predominantly on individual risks.

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

Strategy

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

Climate change activity in the year and future developments

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

In May 2023 the Group published its inaugural Net Zero Transition Plan which marked an important step in its journey towards net zero. It outlines the actions being undertaken to become net zero by 2050 and to achieve its interim targets. The application of the Net Zero Transition Plan is set by Group but considers its subsidiary companies, including the Company, in its plan. During 2023, the Group also became a signatory to the UK Stewardship code and published its inaugural Stewardship Report. This report expands on climate change and looks to provide greater clarity on the Group's position towards Environmental, Social and Governance ("ESG") emerging themes.

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

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

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

Key Performance Indicators ("KPIs")
The results of the Company for the year are shown in the Statement of comprehensive income on page 25.

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

Capital resources
The Company's solvency position is an important measure of financial strength. As at 31 December 2023, the Company's Solvency II own funds and excess of own funds over solvency capital requirement ("SCR") were £4m (2022: £1,205m) and £1m (2022: £539m) respectively.

Dividends paid
The payment of dividends to Group is a strategic objective as cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. Dividends of £nil were paid to the parent company during the year (2022: £150m). The Directors do not recommend the payment of a final dividend.

Operations
Prior to the Part VII transfer, the Company maintained four with-profits ("WP") funds of which the Pearl WP fund operated on a 90:10 basis and the SERP, LL WP and NPL WP funds operated on a 100:0 basis. The Company also maintained a portfolio of non-profit business ("NPFs") for which the profits accrued to the shareholder.

Policy administration was outsourced to Pearl Group Services Limited ("PGS"), one of the service companies within the Group, which, in turn, sub-contracted some administration to TCS Diligenta. Under the Company's agreements with PGS, the majority of costs were levied on a per policy basis thereby mitigating the Company's expense risk.

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

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

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

Directors' duties under section 172 of the Companies Act

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

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

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

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

Strategic priorities key	
Optimise our in-force business	Enhance our operating model and culture

Key stakeholder groups		
Customers	Suppliers	Colleagues
As a result of wider Phoenix Group Part VII activity, all our customers transferred to PLL at the end of September 2023. However, until that point, our customers comprised owners of insurance contracts which are insured elsewhere within Phoenix Group. As such, the Board recognised its responsibility and duty to oversee the success of the Company for all its customers.	We depend on our outsourced service providers ("OSPs") to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.

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

The Board was informed on the activity being undertaken to support customers impacted by the Cost of Living crisis.		

The Board's role in promoting positive stakeholder relationships		
Our customers span a broad spectrum of products and services, across individual life, pensions and savings business. The Board recognises its responsibility and duty to oversee the success of the Company for all its customers.	We depend on our OSPs to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.

Key stakeholder groups continued		
Community	Investors	Government, trade bodies & regulators
How has the Board engaged with and had oversight of stakeholder views during the year?		
The most significant way in which we impact the community is through the investment decisions we make. The Group also encourages all colleagues to support our local communities through volunteering. The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.	Our sole shareholder is Pearl Group Holdings (No. 2) Limited. As a Phoenix Group company, our ultimate controlling party is Phoenix Group Holdings plc Prior to the transfer of the Company's business to PLL, the Board recognised the role it played in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the PRA and the Financial Conduct Authority ("FCA"). The Board acknowledges the importance of maintaining positive relationships with the Company's regulators, particularly in relation to ensuring good outcomes for its customers prior to their transfer to PLL.

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

		Both the PRA and FCA attended sessions with the Board during the year.

The Board's role in promoting positive stakeholder relationships		
The Board held management to account throughout the year, ensuring due care and attention was given to good customer outcomes and needs, especially in the context of the transfer of its customer to PLL.	The Board maintains strong links with its ultimate parent, PGH, through regular reporting and interaction with the Group Board and its committees and vice versa.	As the guardian of the Company, (ensuring robust governance, controls and risk management) the Board is responsible for holding management to account for day to day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in Phoenix.

Key Board decision

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

Strategic priorities key	
Optimise our in-force business	Enhance our operating model and culture

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

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

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

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

Key Board decision	**Payment of cash remittance**
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters During the year the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available to make a cash remittance to the Company's ultimate parent, Phoenix Group Holdings plc in the form of a loan. When considering the proposal the Board paid due regard to the long-term impact of the decision, specifically in the context of risk appetite alongside capital, liquidity and balance sheet resilience. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposals. The Board recognised the importance of being able to provide assurance to the regulator, the PRA, as to its sound and prudent management and noted that the proposal had been shared and discussed with the regulator prior to the Board's consideration.
Outcome	Following due consideration of the matters set out in section 172, the Board approved the loan to the Company's ultimate parent, Phoenix Group Holdings plc.

Business relationships with customers

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

Business relationships with Partners/Suppliers

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

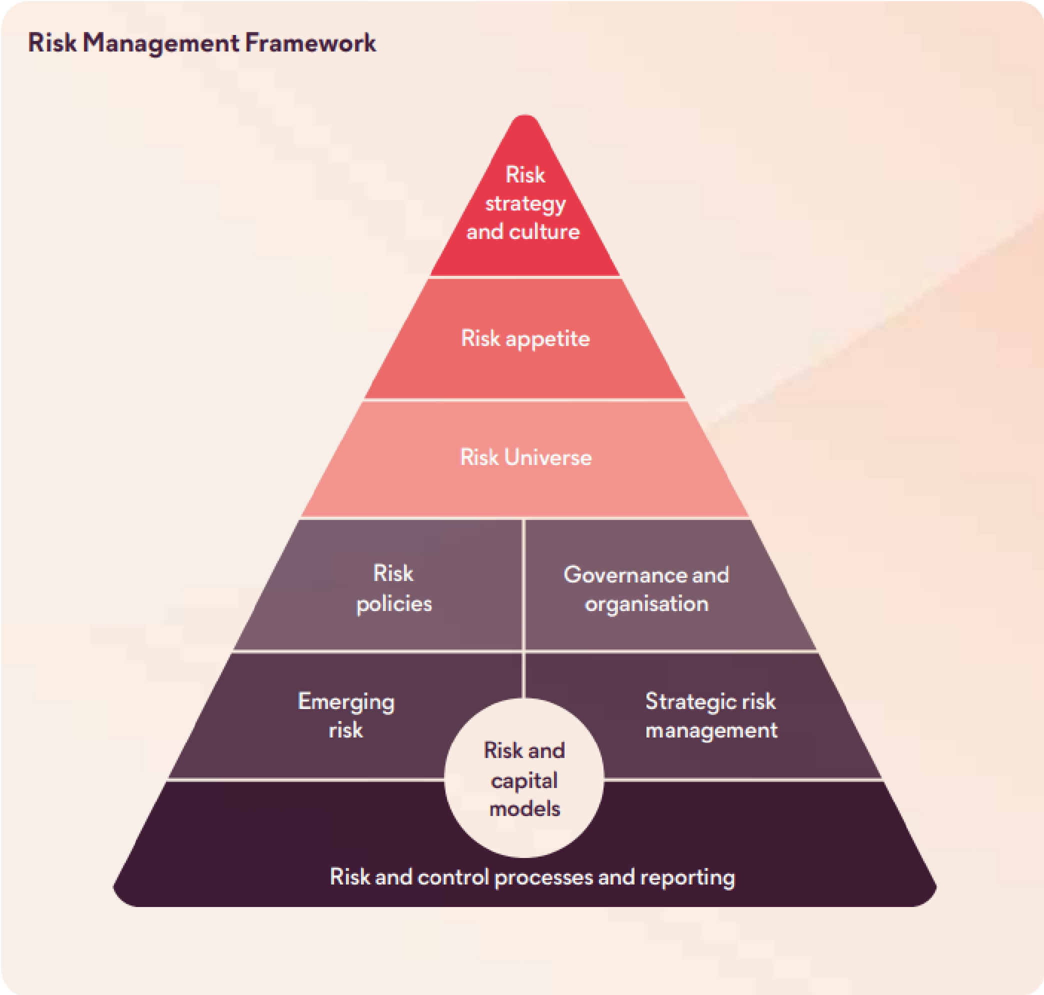
Energy and carbon reporting

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

Risk Management Framework

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

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



Principal risks and uncertainties

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

The Part VII transfer of all Company business into PLL occurred in 2023. The completion of this transfer is a key step toward the sustainable operating model of the Group. From the perspective of the Company, the vast majority of risks have been transferred to PLL. The principal exposures for the Company mostly relate to the risks for the ongoing process towards the deauthorisation of the Company.

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Insurance; Credit; Customer; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in more detail in note 29 of the financial statements.

Credit risk

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

Impact	Mitigation	Events in the year
The Company is exposed to the risk of downgrades and deterioration in the creditworthiness or default of investment or banking counterparties. This could cause immediate financial loss or a reduction in future profits.	The Company regularly monitors its counterparty exposures and has specific limits in place relating to individual counterparties (with sub-limits for each credit risk exposure), sector concentration, geographies and asset class. Limits also restrict exposure to BBB+ and below rated assets.	Over 2023 the Company continued to undertake actions to increase the overall credit quality of its portfolio and mitigate the impact on risk capital of future downgrades. This positive progress is balanced by risks arising from geopolitical conflicts such as those in Ukraine and the Middle East, and supply chain disruptions arising from the risk of deterioration in the relationship between the USA and China. Uncertainties over the global economic outlook, persistent high inflation and higher for longer interest rates present an increased risk of defaults and downgrades. However, a UK sovereign downgrade is less probable than at the end of 2022, following both Moody's and S&P's revision of the UK credit rating's outlook from 'negative' to 'stable' during 2023. This has a positive impact on UK-related assets including Gilts, Housing Associations and Local Authority Loans. Despite the failure of a number of US regional banks and a regulator-facilitated merger of Credit Suisse with UBS in early 2023, the Group's view is that a full-blown banking crisis will not follow. In addition, the Company has no exposure to banks with idiosyncratic risks. The Company has no direct shareholder credit exposure to Russia or Ukraine and no exposure to sanctioned entities

Operational Risk – Regulatory, legislative or political

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

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

In November 2023 the FCA issued Sustainability Disclosure Requirements ("SDR") and investment labelling requirements which aim to inform and protect consumers and improve trust in the market for sustainable investments. The Group supports FCA's aims noting that terminology used and a lack of consistency between providers makes it difficult for consumers to navigate. The Group has mobilised a project to ensure its practices align with the new regulation.

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

Operational Risk – Cyber Resilience

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

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

Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security. The pace of change is accelerating due to the rapid rise of Artificial Intelligence ("AI"), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability, and predictability.	The Company continues to enhance and strengthen its OSP and third party oversight and assurance processes. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group. The Group holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes, which provides confidence to both clients and internal stakeholders that it is committed to managing security.	The Company's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; whilst the Company's main threat is considered to be cyber crime, from individuals or organised crime groups, the same controls are utilised to defend against a Nation-State level cyber-attack. The single consolidated Group Supplier Information Security Framework, which applies to the Company, is improving the Security Oversight and Assurance of Phoenix's large portfolio of OSP, third and fourth Party suppliers, and continues to mature. Further embedding and maturing over the next 12 months will help mitigate the risks associated with supply chain cyber security, which is considered Phoenix's key top cyber security threat. Vulnerability management continued to mature throughout 2023 with the Enterprise Cyber Exposure Score ("CES") remaining steady. The Group received formal approval from the FCA and PRA in July 2023 for closure of the Cybersecurity Best Practice Evaluation and Testing ("CBEST") remediation programme.

<u>Strategic Risk – Climate Change/ESG</u>

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

Impact	Mitigation	Events in the year
The Company is exposed to the risk of failing to respond adequately to ESG risks and delivering on its social purpose; for example, failing to meet and make its sustainability commitments. A failure to manage ESG risk could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness, reputational risks and litigation. The Company is exposed to risks arising from the transition to a lower carbon economy, which could result in a loss in the value of shareholder assets. In addition, physical risk can give rise to financial implications, such as direct damage to assets, operational impacts either direct or due to supply chain disruption, and impacts on policyholder health and wellbeing, impacting demographic experience.	The Group has a clear sustainability strategy in place which is updated annually to reflect the Group's latest plans and risk exposures, with key metrics on progress monitored throughout the year. Sustainability risk and Climate risk are both embedded into the Group's RMF. Sustainability risk "cross-cuts" the Group's Risk Universe. This means the consideration of material sustainability-related risks is embedded in the Group's risk policies (which the Company adopts), with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. Several Sustainability-related Risk Policies are also in place to cover the main sources of Sustainability risk.	Anti-climate change and ESG sentiment, particularly in high carbon-emitting countries, could have far reaching consequences for the pace and effectiveness of climate action and continue to slow down policy changes. This could limit future ESG-aligned investment opportunities and make it more difficult for the Group to manage ESG risk and meet its climate commitments. Recent reports from bodies such as the Intergovernmental Panel on Climate Change and the United Nations Environment Programme highlight the slow progress and significant scale of the challenge in restricting global warming below 1.5°C. Real world events are occurring at a high rate, with 2023 setting the record for the hottest year ever on record.

The Group is making good progress on integrating the management of climate change and wider ESG risks across the business, including in investment portfolios, with further work underway to embed its consideration fully across the business.

The Group continues to engage with suppliers and asset managers on their progress and approach to managing climate change and wider ESG risks.

The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities.

The Group undertakes deep dives on emerging ESG risk areas (such as greenwashing and ESG litigation risk) to increase understanding and awareness for Boards and Management, and facilitate control improvements where required.

The Group is cognisant of this changing environment and undertakes thought leadership and wide engagement with policymakers and market participants to actively raise the debate around key sustainability themes.

Analysis indicates the Group is on track to achieve its 2025 targets if planned actions are implemented. However, further internal actions will likely be needed to achieve the 2030 targets, which are also increasingly dependent on external factors such as the decarbonisation of the wider economy and actions by others – in particular government, regulators, and the high transition risk sector

On behalf of the Board

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

27 June 2024

Directors' report

The Company is incorporated in England and Wales. Its registration number is 1419 and its registered office is 1 Wythall Green Way, Wythall, Birmingham B47 6WG.

Corporate governance

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

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

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

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

Risk appetite, risk management and internal controls	As described above, risk appetite statements are approved by the Board. Oversight of risks, risk management and internal controls is delegated for oversight by both the Board Audit Committee and Board Risk Committee in line with their Terms of Reference. Both the Head of Internal Audit and Chief Risk Officer have access to the Chair of the Board and the Audit Committee to raise any concerns directly. In addition, the Chief Risk Officer has direct access to the Chair of the Risk Committee. The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit but also from the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.
Board composition	Board skills and associated succession planning are subject to annual review to ensure there is an appropriate mix of skills among the Non-Executive Board members. Our Non-Executive Board members are considered to have the required knowledge to effectively challenge management and to undertake their duties appropriately. In 2023, two new Non-Executive Directors were appointed, with Ian Craston and Jora Gill joining the Board on 1 June 2023. Non-Executive Director, Margaret Hassall, retired on 31 March 2023. As a result of these changes, the Board comprises 7 Non-Executive Directors (including the Chair) and there continues to be 5 Executive Directors. Current Chair, John Lister, was considered independent on appointment to the role in 2021. There is a division of responsibility between the Non-Executive Chair, who is responsible for the leadership and effective operation of the Board, and the Chief Executive Officer, who is responsible to the Board for the overall management and operation of the Company.
Role of Executive and Non-Executive Directors	All appointment letters and associated role profiles for Non-Executive Directors specify the requirements of the role to include constructive challenge, scrutiny of management information and the integrity of financial information. The ‘Matters Reserved’ for the Board of the Company specifies those activities for which the Board has retained approval with agendas for each meeting reminding all Directors of their responsibilities under Section 172 of the Companies Act 2006. Board meetings, as evidenced through the Board Minutes produced, are an open forum for Directors to be robust and challenge the proposals presented. Having a clear organisational structure allows for areas not covered by the Matters Reserved and which fall into the “day to day management” of the Company to be appropriately delegated through a structure of approved Delegations of Authority.
Knowledge and experience of Non-executive Directors	The experience of the Non-Executive Directors is wide across the life insurance industry and all received a comprehensive induction on the business of the Company. A skills assessment is in place which identifies an individual’s area of expertise such as accountancy, with-profits management, risk management, life and pensions and investments. This assessment demonstrates that our Non-Executive Directors have a substantial number of years’ experience on the matters close to our Company. During the year, the Board is provided with regular education sessions to support any gaps in knowledge and to promote continuous professional development. During 2023, the Board received deep dives on the following topics: ➢ Securitisation Enhancement ➢ Sustainability Strategy ➢ Technology and Architecture ➢ TCFD Reporting ➢ Actuarial reporting and MI capability improvements ➢ Consumer Duty ➢ Bermudian reinsurance ➢ Tailored Retirement Planning and Smooth Managed Fund Deep Dive ➢ Information Security and AI ➢ Existing Customer Proposition Strategy

	➢ Major Model Change and Asset Capital Limited Framework ➢ The Pensions Regulator Relationship & Oversight
Board time and resource	The Board met for 9 scheduled Board meetings in 2023 either in person or via video conference and 2 scheduled Sub-Committee meetings in relation to the Part VII transfer of business from the Company into PLL. A further 2 out of cycle meetings were held: one to consider payment of a cash remittance to the Company's ultimate parent, Phoenix Group Holdings plc; and the other to finalise and confirm the Company's draft Own Risk Solvency Assessment prior to its submission. As well as the Board, a number of Board Committees responsible for overseeing Audit, Risk, Nomination, With-Profits, Investment and Model Governance matters, have also been in operation during the course of the year. The Board Nomination Committee undertakes a review of the estimated time commitments required by a Non-Executive Director to support the Company's activities on an annual basis. Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the Board Nomination Committee and Board in advance, during which time it is confirmed that the time commitment required will not impact their availability for Company matters.
Management information (MI) and transparency	Each Board meeting includes a formal Chief Executive and other Company Officer reporting, together with other key Management Information ("MI") reports (which includes Customer Treatment, Customer Complaints, Financial and Operational Capacity MI), as well as reports from the Board's committees. The appointment of the Group Chief Executive Officer as Chief Executive Officer of the Company in October 2022 further strengthened the link, through management representation, between the Group and Life Boards.
Succession planning	The performance of the Chief Executive and their direct reports is considered at least annually in private sessions facilitated by the Group HR Director with the Non-Executive Directors during which more informal discussions on succession planning may take place. During 2023 the Board Nomination Committee considered Non-Executive Director succession planning matters and, in particular the forthcoming retirements of three Board Members. A skills audit exercise was undertaken during the year to support long term succession planning. The Board formally reviewed its Succession Plan in August 2023.
Remuneration	Whilst the remuneration of executives is a matter for the Group and, specifically, the Group's Remuneration Committee, the Non-Executive Directors are provided with the information necessary to enable them to oversee the design and operation of the remuneration arrangements linked to the Company's strategic objectives. In addition, the Non-Executive Directors consider and opine on the performance outcomes of the individuals within the management team of the Company who are responsible for the day to day running of the business (typically direct reports of the Chief Executive).
Subsidiary boards	Within the scope of Board updates, there is the flexibility to consider the activities of the Company's subsidiary companies. A summary update of any activity of the Company's subsidiaries is provided on a six-monthly basis where appropriate. Since 1 October 2022, the Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have been Executive Directors of both the Company and its ultimate parent, Phoenix Group Holdings plc. Conflicts of interest are assessed for each agenda item and, where appropriate, the CEO and CFO are recused from decision making at the meeting. The Phoenix Life Companies (of which the Company is one) Board Matters Reserved clearly state those matters which are in the gift of the Board and those which require Group oversight, in support of balancing the obligations of the Company within the context of the wider Group.

Board committees	The terms of reference of the committees of the Board of the Company document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model.

Financial instruments
Details of the Company's financial risk management objectives and policies in respect of its use of financial instruments are included in note 29 to the financial statements.

Going concern
The Strategic report and Directors' report summarise the Company's activities, its financial performance and financial position together with any factors likely to affect its future development. In addition, they discuss the principal risks and uncertainties it faces. Notes 28 and 29 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's *"Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)"* when performing their going concern assessment. The Directors have undertaken a review of solvency, liquidity and cash flow projections. The Directors have also considered the Part VII of its business into PLL, a fellow Group company which completed with an effective date of 30 September 2023. At the date of reporting there are no formal plans to wind up the company.

The Directors have taken note of the net asset position of £4m which is predominately held in a highly liquid cash fund and the £1m solvency surplus position of the Company as at 31 December 2023.

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

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

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

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

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

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

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

Auditor appointment
PKF Littlejohn LLP will step down as the Company's auditor on completing the audit for the year ended 31 December 2023. In accordance with section 485 of the Companies Act 2006, KPMG LLP will be appointed auditors to the Company for the year ended 31 December 2024, following a Group-wide selection process carried out in accordance with section 485B of the Companies Act 2006.

On behalf of the Board

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

27 June 2024

Statement of Directors' responsibilities

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

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

• Select suitable accounting policies and then apply them consistently;

• Make judgements and accounting estimates that are reasonable and prudent;

• Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

• Provide additional disclosures when compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;

• State that the Company has complied with applicable UK GAAP, subject to any material departures disclosed and explained in the financial statements; and

• Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's report to the members of Phoenix Life Assurance Limited

Opinion

We have audited the financial statements of Phoenix Life Assurance Limited (the 'Company') for the year ended 31 December 2023 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- obtaining and reviewing the directors' going concern assessment which covers the period to 30 June 2025;
- assessing the accuracy of the key inputs and assumptions used in management's going concern assessment with reference to supporting documents;
- evaluating the liquidity and solvency position of the Company by reviewing base case liquidity and solvency projections;
- reviewing the Part VII transfer and potential timelines of the Company's liquidation process;
- reviewing minutes of meetings of the Board and its committees; and
- evaluating the appropriateness of the going concern disclosures and assessing whether they are compliant with the relevant reporting requirements and consistent with the management's assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We determined the materiality for the financial statements as a whole to be £12.5 million (2022: £13.0 million) being 2% of opening net assets (2022: 2% of net assets). As a result of the transfer of the Company's insurance business to Phoenix Life Limited during the year, we determined the materiality level to be applied to the Statement of financial position to be £131,000. We believe that net assets is the appropriate basis of determining materiality given that the Company is a closed book life assurance consolidator, whose primary focus during the period, prior to the transfer of insurance business, was regulatory capital generation.

Based on our risk assessments of the Company, which included an assessment of the Company's overall control environment, we determined the performance materiality to be set at 50% (2022: 50%) of the materiality for the financial statements as a whole, resulting in a performance materiality of £6.25 million (2022: £6.5 million). The performance materiality specific to the Statement of financial position was £65,500.

We agreed with the Board Audit Committee that we would report to them all uncorrected audit differences in excess of 5% of the materiality threshold for the financial statements as a whole, namely £625,000 (2022: £650,000), with the specific trivial threshold being £6,500. We also agreed to report differences below these thresholds which, in our view, warranted reporting on qualitative grounds.

Our approach to the audit

Our audit scope is determined by our assessment of audit risks, and application of materiality. We take into account of the account size, the risk profile and the organisation of the Company, including changes in the business environment, and the effectiveness of controls when assessing the level of work to be performed.

Our audit approach was designed to place appropriate focus on the most material areas and particularly those which are subject to a high degree of estimation uncertainty and involve the use of judgement. The most important of these areas and the procedures performed are detailed within the Key audit matters section of our report. We ensured that our audit team consisted of individuals with appropriate skills and experience.

Key audit matters

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

Key Audit Matter	**How our scope addressed this matter**
Part VII transfer ***Refer to:*** • *Note 4 Transfer of the business*	
The Company has completed a transfer under Part VII of the Financial Services and Markets Act 2000 on 30 September 2023, in which it transferred its insurance business, including related asset and liability balances, to a fellow group company, Phoenix Life Limited. This is considered a key audit matter because of the magnitude, significance and complexity of the transaction.	Our work in this area included: ▪ Obtaining an understanding and testing the design and implementation of key controls over management's process for calculating the valuation of the assets and liabilities to be transferred; ▪ Obtaining and reviewing management's calculations for the transfer of net assets; ▪ Obtaining and reviewing the Court Order for the Part VII approval; ▪ Engaging our actuarial and valuation experts and challenging the key assumptions and input used as well as the models used for the valuation of the Company's assets and liabilities which were subject to the Part VII transfer on 30 September 2023; and ▪ Reviewing the disclosures in the financial statements as a result of the Part VII transfer and ensuring that they are in line with the provisions of the applicable financial reporting framework. **<u>Key observations</u>** We determined that, based on our audit work performed, the Part VII transfer was accurate and complete and the related financial statement disclosures are appropriate.

Other information

The other information comprises the information included in the strategic report, the directors' report and the financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, a review of board minutes, performing walkthroughs of the Company's processes and controls, and the application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Company in this regard to be those arising from the Prudential Regulation Authority Rulebook, the Financial Conduct Authority Handbook and the Companies Act 2006.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to:
    - making enquires of management;
    - reviewing management and board minutes;
    - reviewing legal / regulatory correspondence; and
    - reviewing disclosures made in the financial statement disclosures and ensuring the regulatory requirements are met.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Other matters which we are required to address

We were originally appointed by the Board Audit Committee on 21 November 2021 to audit the financial statements for the period ending 31 December 2021, and were re-appointed on 7 July 2023 to audit the financial statements for the period ending 31 December 2023. Our total uninterrupted period of engagement is three years, covering the periods ending 31 December 2021 to 31 December 2023. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board Audit Committee.

Use of our report

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

Martin Watson

Digitally signed by Martin Watson
DN: cn=Martin Watson, ou=Windows 10 - Users, email=mwatson@pkf-l.com
Date: 2024.06.28 14:30:45 +01'00'

Martin Watson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
28 June 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

Statement of comprehensive income
for the year ended 31 December 2023

Long term business technical account	Notes	2023 £m	2022 £m
Gross premiums written	5	106	162
Outward reinsurance premiums		(5)	(3)
Earned premiums, net of reinsurance		101	159
Investment (expense) / income	7	(91)	189
Unrealised gains / (losses) on investments	7	53	(2,575)
Other technical income	6	16	17
Claims paid:			
Gross amount		(541)	(746)
Reinsurers' share		158	91
Claims paid net of reinsurance		(383)	(655)
Change in provision for claims:			
Gross amount		(17)	(19)
Change in provision for claims net of reinsurance		(17)	(19)
Claims incurred net of reinsurance		(400)	(674)
Change in long term business provision:			
Gross amount		549	3,037
Reinsurers' share		(59)	(196)
Change in long term business provision net of reinsurance		490	2,841
Change in technical provision for linked liabilities, net of reinsurance		(102)	(62)
Change in technical provisions net of reinsurance		388	2,779
Net operating expenses	8	(57)	(70)
Investment expenses and charges	7	(10)	(14)
Other charges	9	-	(1)
Transfer from fund for future appropriations		8	76
Tax (charge) / credit attributable to the long term business	12	(5)	29
Balance on long-term business account		3	(85)

Non-technical account	Notes	2023 £m	2022 £m
Balance on long term business technical account		3	(85)
Tax charge / (credit) on long term business	12	9	(7)
Balance on long term technical account before tax		12	(92)
Investment income	7	2	-
Profit / (loss) on ordinary activities before tax		14	(92)
Tax (charge) / credit on ordinary activities	12	(9)	7
Profit/(loss) for the year		5	(85)
Total other comprehensive income/(expense) for the period		5	(85)

Statement of financial position - assets
as at 31 December 2023

ASSETS	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m
Investments			
Land and buildings	14	-	18
Investments in group undertakings and participating interests	15	-	4,014
Other financial investments	16	4	5,381
		4	9,413
Assets held to cover linked liabilities	21	-	272
Reinsurers' share of technical provisions			
Long-term business provision	27	-	543
Technical provisions for unit-linked liabilities	27	-	1,393
		-	1,936
Debtors			
Other debtors	22	-	1,191
Deferred tax asset	20	-	52
		-	1,243
Other assets			
Cash at bank and in hand	23	-	78
		-	78
Prepayments and accrued income			
Other prepayments and accrued income	24	-	48
		-	48
Total Assets		4	12,990

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

	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	25	342	342
Share premium		41	41
Other reserves	26	(467)	97
Profit and loss account		88	83
Total capital and reserves		4	563
Liabilities			
Fund for future appropriations		-	246
Technical provisions			
Long-term business provision	27	-	9,089
Claims outstanding		-	114
		-	9,203
Technical provisions for linked liabilities	27	-	1,668
Provisions for other risks and charges			
Other provisions	30	-	6
		-	6
Creditors			
Creditors arising out of direct insurance operations		-	4
Creditors arising out of reinsurance operations		-	7
Amounts owed to credit institutions	32	-	18
Other creditors including taxation and social security	31	-	1,269
		-	1,298
Accruals and deferred income	33	-	6
Total liabilities		-	12,427
Total equity and liabilities		4	12,990

On behalf of the Board

DocuSigned by:
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A Cairns
Director
27 June 2024

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

	Called up share capital (note 25)	Share premium	Other reserves (note 26)	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2023	342	41	97	83	563
Profit for the year	-	-	-	5	5
Total comprehensive income for the financial year	-	-	-	5	5
Part VII transfer	-	-	(564)	-	(564)
Balance at 31 December 2023	342	41	(467)	88	4

	Called up share capital (note 25)	Share premium	Other reserves (note 26)	Profit and loss account	Total equity
	£m	£m	£m	£m	£m
Balance at 1 January 2022	342	41	97	318	798
Loss for the year	-	-	-	(85)	(85)
Total comprehensive expense for the financial year	-	-	-	(85)	(85)
Dividends paid on ordinary shares (note 13)	-	-	-	(150)	(150)
Balance at 31 December 2022	342	41	97	83	563

Of the above, £nil (2022: £133m) is considered distributable.

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 25 to 66 were authorised by the Board of Directors for issue on 11 June 2024.

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

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

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

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

Going Concern
The Board has considered the capital and solvency position of the Company for the going concern period to 30 June 2025. The Company no longer holds insurance liabilities and continues to hold sufficient liquid assets to cover its regulatory capital requirements and all liabilities as they fall due.

The Directors have also considered the Part VII of its business into PLL, a fellow Group company which completed with an effective date of 30 September 2023. At the date of reporting there are no formal plans to wind up the company.

Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

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

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

The financial statements for the year ended 31 December 2022 were prepared under UK adopted international accounting standards. The date of transition to FRS 102 and FRS 103 was 1 January 2022. Information on the adjustments arising as a result of the transition is given in note 39.

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

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

2. Accounting Policies

a) Critical accounting estimates and judgements

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. Following the Part VII transfer, the only area of the Company's business that typically requires such estimates is the determination of the fair value of financial assets.

Fair value of financial assets

The fair values of financial assets are classified and accounted for as set out in accounting policy (i). Where possible, financial assets are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. There are no Level 2 or Level 3 financial instruments at 31 December 2023.

How climate risk affects our accounting estimates and judgments

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

The majority of the Company's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.

b) Income recognition

Gross premiums written

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

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

Reinsurance premiums

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

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

Other technical income

Fee and commission income relates to the following:

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

- release of deferred income reserve.

Investment income and expense
Investment income comprises interest, dividends, rents receivable and realised gains and losses. Interest income is recognised in the Income Statement as it accrues using the effective interest method. Dividend income is recognised as income in the Statement of comprehensive income on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date. Rental income from investment property is recognised as income in the Income Statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

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

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

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

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

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

Income on intercompany loans has been allocated to the non-technical account on the basis that it relates to Group-wide activities. All other income and expenses have been attributed to the technical account.

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

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

Other charges
Interest payable is recognised as an expense in the Statement of comprehensive income as it accrues and is calculated by using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the carrying amount of the financial asset or liability.

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

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

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

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

g) Dividends

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

h) Investment property

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

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and are also spread over the term of the lease.

i) Investment in group undertakings and participating interests

Shares in group undertakings

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

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

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

Participating interests

Investments in associates and joint ventures that are held for investment purposes are measured at fair value through profit or loss, as permitted by FRS 102 Section 9. There are no investments in associates and joint ventures which are of a strategic nature.

j) Financial instruments

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

Financial instruments cover a wide range of financial assets, including financial investments, trade receivables and cash and cash equivalents and financial liabilities, including investment contract liabilities and trade payables.

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

The Company derecognises a financial asset where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reinsurance accepted

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

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

l) Cash at bank and in hand

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

m) Share capital and capital contributions

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

n) Classification of contracts

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

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

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

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

Contracts that give rise to a significant transfer of insurance risk to the reinsurer are assessed to determine whether they contain an element that does not transfer significant insurance risk and which can be measured separately from the insurance component. Where such elements are present they are accounted for separately with any deposit element being accounted for and disclosed in a manner consistent with financial instruments. The remaining elements, or where no such separate elements are identified, the entire contracts, are classified as reinsurance contracts.

o) Technical Provisions

Long-term business provision - participating insurance, non-participating insurance and participating investment contracts

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

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

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

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

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

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

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profit business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 27.

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

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

Where it is not possible to apportion the future profits on this non-participating business to policyholders the present value of future profits on this business is recognised as an intangible asset and changes in its value are recorded as a separate item of income or expense in the Statement of comprehensive income.

The value of PVFP is determined in a manner consistent with the measurement of liabilities. In particular, the methodology and assumptions involve adjustments to reflect risk and uncertainty, which are based on current estimates of future experience and current market yields and allow for market consistent valuation of any guarantees or options within the contracts. The value is also adjusted to remove the value of capital backing the non-profit business if this is included in the realistic calculation of PVFP. The principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 27.

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

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

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

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

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

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

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

The Company's accounting policies for insurance contracts meet the minimum specified requirements for liability adequacy testing under *FRS 103.*

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

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

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

Claims outstanding
Outstanding claims under insurance contracts and investment contracts with DPF are valued using a best estimate method under FRS 103. The gross outstanding claims balance is subject to a valuation adjustment, based on an ageing analysis and historic settlement data, in order to calculate the claims outstanding provision.

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

p) Financial liabilities
On initial recognition, financial liabilities are recognised when due and measured at the fair value of the consideration payable or received less directly attributable transaction costs (with the exception of liabilities at fair value through profit or loss for which all transaction costs are expensed). Subsequent to initial recognition, financial liabilities (except for liabilities under investment contracts and other liabilities designated at fair value through profit or loss) are measured at amortised cost using the effective interest method.

Financial liabilities are designated upon initial recognition at fair value through profit or loss when doing so results in more meaningful information because either:

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

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

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

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

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

s) Payables related to direct insurance contracts
Payables related to direct insurance contracts includes balances for outstanding claims under investment contracts without DPF. Outstanding claims under investment contracts without DPF are measured at full settlement value in accordance with IFRS 9.

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

3. New and amended accounting standards

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

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

4. Transfer of the business

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

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

With the exception of £4m of net assets (required to meet the ongoing Minimum Capital Requirement until de-authorisation) all assets and liabilities of the Company were transferred to PLL for nil consideration.

The following table presents the balances transferred to PLL:

	Total £m
Assets	
Land and buildings	13
Other financial investments	9,113
Assets held to cover linked liabilities	261
Reinsurers' share of technical provisions - Long-term business provision	484
Reinsurers' share of technical provisions - Technical provisions for unit-linked liabilities	1,335
Other debtors	1,120
Deferred tax asset	46
Cash at bank and in hand	62
Other prepayments and accrued income	37
Total assets	12,471

Liabilities	
Fund for future appropriations	(237)
Technical provisions - Long-term business provision	(8,455)
Technical provisions - Claims outstanding	(174)
Technical provisions for linked liabilities	(1,599)
Other provisions	(3)
Creditors arising out of direct insurance operations	(4)
Creditors arising out of reinsurance operations	(15)
Amounts owed to credit institutions	(14)
Other creditors including taxation and social security	(1,398)
Accruals and deferred income	(8)
Total liabilities	(11,907)
Net assets transferred to PLL	564

5. Premium analysis

Gross Premiums written	2023 £m	2022 £m
Direct	106	162
	106	162

Direct business is analysed as follows:

	2023 £m	2022 £m
Individual business	106	162
	106	162
Regular premiums	33	45
Single premiums	73	117
	106	162
Participating contracts	18	26
Non-participating contracts	88	136
Linked business (excluding investment contracts without DPF)		-
	106	162

All business is written in the UK.

6. Other technical income

	2023 £m	2022 £m
Fee income from investment contracts without DPF	13	12
Other income from contracts with customers	3	5
Total other technical income	16	17

7. Investment income and expense

	Technical account		Non-technical account	
	2023	2022	2023	2022
	£m	£m	£m	£m
Interest income on financial assets at FVTPL	104	103	-	-
Dividend income	122	123	-	-
Income from group undertakings	-	-	2	-
Realised losses on financial assets at FVTPL	(317)	(37)	-	-
Total investment (expense)/income	(91)	189	2	-
Unrealised gains/(losses) on investments:				
Financial instruments at FVTPL	56	(2,569)	-	-
Investment property	(3)	(6)	-	-
Net unrealised gains/(losses) on investments	53	(2,575)	-	-
Investment expenses and charges	(10)	(14)	-	-
Total investment return	(48)	(2,400)	2	-

8. Net operating expenses

	Technical account	
	2023	2022
	£m	£m
Administration expenses	1	6
Outsourcing expenses	56	64
Total operating expenses	57	70

Employee costs

The Company has no employees. Administrative services are provided by PGS, a fellow group company.

9. Other charges

	2023	2022
	£m	£m
Interest expense:		
Financial liabilities at amortised cost	-	1
Total other charges	-	1

10. Directors' remuneration

	2023	2022
	£000	£000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	847	884
Share option schemes and other long-term benefits	533	751
Contributions to money purchase pension schemes	3	1
Total Directors' emoluments	1,383	1,636

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

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

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

The highest paid Director exercised share options during the year.

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

11. Auditor's remuneration

	2023 £000	2022 £000
Audit of the Company's financial statements	515	467

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

12. Tax charge / (credit)

Tax charged to the income statement charge / (credit)

	Technical account		Non-technical account	
	2023 £m	2022 £m	2023 £m	2022 £m
Current tax:				
Adjustment in respect of prior years	(1)	(1)	-	-
Total current tax	(1)	(1)	-	-
Deferred tax:				
Origination and reversal of timing differences	3	(28)	-	-
Adjustment in respect of prior years	3	-	-	-
Total deferred tax	6	(28)	-	-
Total tax charge / (credit)	5	(29)	-	-
Attributable to:				
- policyholders	(4)	(22)	-	-
- owners	9	(7)	-	-
Total tax charge / (credit)	5	(29)	-	-

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

Reconciliation of tax charge / (credit)

	2023 £m	2022 £m
Profit / (loss) before tax attributable to owners	14	(92)
Tax at standard UK rate of 23.5% (2022: 19%)	3	(17)
Adjustment to owners' tax in respect of prior years	3	(1)
Profits taxed at rates other than 23.5% (2022: 19%)	2	13
Deferred tax rate change	-	(1)
Other	1	(1)
Tax charge / (credit) attributable to owners	9	(7)
Total tax charge / (credit)	9	(7)

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

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

13. Dividends on ordinary shares

	2023 £m	2022 £m
Interim dividend for 2023 is nil (2022: 44p per 'B' share)	-	150
	-	150

14. Investments: Land and Buildings

	2023 £m	2022 £m
Current value		
Freeholds	-	18

(a) Investment property

	2023 £m	2022 £m
Balance at 1 January	18	20
Disposals	(5)	(4)
Net gain from fair value adjustments	-	2
Part VII transfer	(13)	-
Balance at 31 December	-	18

	2023 £m	2022 £m
Investment property net book value based on historic cost	-	18

Fair value measurement

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

Residential property reversions
The residential property reversions arise from sales of the NPI Extra Income Plan. These interests in customers' properties that the Company will realise upon their death are valued using a discounted cash flow ("DCF") model based on the Company's proportion of the current open market value, discounted for the lifetimes of the policyholders derived from published mortality tables. The open market value is measured using RICS valuations. The individual properties are valued triennially and indexed using regional house price indices to the balance sheet date. The residential property reversions have been substantially refinanced under the arrangements with Santander described in note 32.

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

Description	Valuation technique	Significant inputs	Unobservable input value	
			2023	2022
Residential property reversions	Internally developed model and RICS valuations	Mortality rate	111% IFL92C15 (Female) 111% IML92C15 (Male)	111% IFL92C15 (Female) 111% IML92C15 (Male)
		House price inflation	3 year RPI rate plus 0.75%	3 year RPI rate plus 0.75%
		Discount rate	3 year swap rate plus 1.7% margin	3 year swap rate plus 1.7% margin
		Deferred possession rate	3.7%	3.7%

15. Investments: Investments in group undertakings and participating interests

	Cost		Current Value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Subsidiaries held for strategic purposes	-	894	-	-
Subsidiaries held for investment purposes	-	3,927	-	4,008
Total	-	4,821	-	4,008
Interest in joint ventures and associate long-term fund investments	-	5	-	6
Total	-	5	-	6

Refer to note 38 for further information on the related undertakings of the Company.

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

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

On 21 July 2023 the Company issued a loan of £150m to Phoenix Group Holdings plc, its ultimate parent company. The loan had a maturity date of 21 July 2028 and earned interest at a rate of Compound Sonia rate + 151bps. Interest of £2m was earned in the period prior to the Part VII transfer of the loan balance to PLL.

16. Investments: Other financial investments

	Cost		Current value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Fair value through profit and loss				
Equities	-	211	-	145
Variable rate income securities	-	334	-	252
Fixed rate income securities	-	3,321	-	2,695
Derivative assets	-	14	-	125
Unit trusts and other pooled investments	4	2,323	4	2,158
Amortised cost				
Loans to policyholders secured by insurance policies	-	6	-	6
Total	4	6209	4	5,381

	Carrying value 2023	Carrying value 2022
	£m	£m
Amounts included in the above relating to listed investments:		
Equities	-	74
Variable rate income securities	-	252
Fixed rate income securities	-	2,098
Total	-	2,424

17. Derivatives

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

All derivative instruments have been classified as held for trading and are not part of a designated hedging relationship.

The Company pledges and receives collateral in respect of its derivative positions. Further information is provided in note 18.

The fair values of derivative financial instruments are:

	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
	£m	£m	£m	£m
Forward currency	-	-	17	3
Interest rate swaps	-	-	59	904
Inflation swaps	-	-	44	19
Cross currency swaps	-	-	1	24
Stock index futures	-	-	4	-
	-	-	125	950

18. Financial assets and liabilities

Expected settlement dates	Total	Amounts recoverable after 12 months	Total	Amounts recoverable after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial assets				
Financial assets at amortised cost				
Loans and deposits	-	-	6	-
Financial assets at fair value through profit or loss				
Equities	-	-	1,094	-
Variable rate income securities	-	-	252	252
Fixed rate income securities	-	-	2,695	2,635
Derivative assets	-	-	125	97
Unit trusts and other pooled investments	-	-	5,224	-
Assets held to cover linked liabilities	-	-	272	272
Reinsurers' share of investment contracts without discretionary participation features	-	-	1,391	-
	-	-	11,059	3,256

	Total	Amounts due for settlement after 12 months	Total	Amounts due for settlement after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial liabilities				
Financial liabilities at amortised cost				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	-	-	950	943
Investment contracts without discretionary participation features	-	-	3,407	-
	-	-	4,357	943

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

ERM loans	2023 £m	2022 £m
Legal title held by:		
Loan originators	-	81
Fellow subsidiaries	-	142
	-	223

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

On 10 November 2021 the Company acquired a portfolio of ERM from a fellow group company PLL, for consideration of £341m. On the same day, the Company transferred the beneficial interest of these ERM loans to Phoenix ER2 Limited ("PER2L"), a wholly owned strategic subsidiary. PER2L issued a tranche of Fixed Rate and Junior Loan Notes to the Company as consideration for the transfers. The ERM loans did not qualify for derecognition as the Company retained substantially all the risks and rewards of the ERM loans.

Offsetting financial assets and financial liabilities

The Company has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2023 (2022: none)

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

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

At 31 December 2023

	OTC derivatives	Reinsurance	Stock lending
	£m	£m	£m
Collateral accepted			
Not recognised	-	-	-
Recognised assets	-	-	-
Recognised liabilities	-	-	-
Maximum exposure to credit risk	-	-	-
Risk mitigated by use of collateral	-	-	-
Remaining risk	-	-	-
Collateral pledged			
Pledged as collateral	-	-	-
In respect of liabilities of	-	-	-

At 31 December 2022

	OTC derivatives	Reinsurance	Stock lending
	£m	£m	£m
Collateral accepted			
Not recognised	9	662	558
Recognised assets	47	-	-
Recognised liabilities	(47)	-	-
Maximum exposure to credit risk	120	557	511
Risk mitigated by use of collateral	(120)	(539)	(511)
Remaining risk	-	18	-
Collateral pledged			
Pledged as collateral	939	-	-
In respect of liabilities of	950	-	-

Assets not derecognised
The carrying value of listed financial assets lent at 31 December 2023 that have not been derecognised amounted to £nil (2022: £511m) of real estate investment trusts and debt securities.

19. Fair value

Carrying values different to fair values

The carrying value of financial assets and liabilities measured at amortised cost approximates their fair value, except as disclosed below.

Determination of fair value and fair value hierarchy of financial instruments

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

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

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

Level 3 financial instruments
The Company's financial instruments determined by valuation techniques using non market observable inputs are based on a combination of independent third party evidence and internally developed models. In relation to investments in hedge funds and private equity investments, third party evidence in the form of net asset valuation statements are used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required. Securities that are valued using broker quotes which could not be corroborated across a sufficient range of quotes are considered as Level 3. For a number of investment vehicles and debt securities, standard valuation models are used, with inputs that may not be fully market observable. Where possible and appropriate, inputs into such models are based on market observable data. The fair value of loans and some borrowings with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

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

Fair value hierarchy of financial instruments
Fair value hierarchy information for non-financial assets measured at fair value is included in note 14 for investment properties. There were no financial liabilities at 31 December 2023.

As 31 December 2023	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets designated at fair value through profit or loss upon initial recognition				
Unit trusts and other pooled investments	4	-	-	4
Total financial assets	4	-	-	4

As 31 December 2022	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets measured at fair value				
Derivatives	5	120	-	125
Financial assets designated at fair value through profit or loss upon initial recognition				
Equites	74	-	1,020	1,094
Variable rate income securities	224	27	1	252
Fixed rate income securities	1,957	384	354	2,695
Unit trusts and other pooled investments	4,929	49	246	5,224
Assets held to cover linked liabilities	272	-	-	272
Reinsurers share of investment contracts without discretionary participation features	-	1,391	-	1,391
Total financial assets measured at fair value	7,461	1,971	1,621	11,053
Financial assets for which fair values are disclosed				
Loans and deposits at amortised cost	-	6	-	6
Total financial assets	7,461	1,977	1,621	11,059

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial liabilities measured at fair value				
Derivatives	-	924	-	924
Financial liabilities designated at fair value through profit or loss upon initial recognition				
Investment contracts without discretionary participation features	-	3,407	-	3,407
Total financial liabilities measured at fair value	-	3,407	-	3,407
Total financial liabilities	-	4,331	-	4,331

Financial instrument valuation methodology

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

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

Derivatives include forward private placements, infrastructure and local authority loans which include commitment to provide funding for fixed rate debt at specified future dates. These are all valued using unobservable inputs and are therefore categorised as level 3 in the fair value hierarchy.

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

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

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

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

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

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

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

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

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

In order to benefit from the matching adjustment on the regulatory basis, the ERM loans are securitised into tranches of fixed rate senior notes and variable junior loan notes via special purpose vehicles wholly owned by the Company. Other debt securities included £249m at of these loan notes at 31 December 2022. Where ERM loans are securitised, there is an offsetting impact in insurance liabilities for changes in discount rate via the matching adjustment. This results in any net financial impact of change in spread being substantially offset by a corresponding movement in insurance liabilities.

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

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

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

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

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

Other creditors at FVTPL
Property reversion loans
A description of the property reversion loans can be found in note 32. These instruments are valued using models and due to the level of unobservable inputs are classified as level 3.

Insurance liabilities for securitised loans
These liabilities represent the obligation created due to the ERM loans not meeting the derecognition criteria discussed above in debt securities. Accordingly, their value is dependent on the ERM loan valuation, and they are classified as level 3 in the fair value hierarchy.

Technical provision
The Company has not disclosed fair values for investment contracts with a DPF (disclosed within insurance contract liabilities) as fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business. The assumptions and methods used in the calculation of these liabilities, and the carrying values at the year end, are set out in the accounting policies and note 27.

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

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

1. *Net asset value statements*: Net asset statements are provided by independent third parties, and therefore no significant non-observable input or sensitivity information has been prepared for those instruments valued on this basis.
2. *Discounted cash flow ("DCF") model:* Except where otherwise stated, the discount rate used is based on a risk-free curve and a credit spread. The spread is derived from a basket of comparable securities.

Significant inputs and input values for Level 3 instruments

Description	**Valuation technique**	**Significant inputs**	**Key unobservable input value**	
			2023	**2022**
Derivative assets and liabilities				
Forward private placements, infrastructure and local authority loans	DCF model[1]	Credit spread	N/A	145 bps (weighted average)
Longevity swaps	DCF model[1]	Swap curve	N/A	Swap curve + 10bps
Debt securities				
ERM loans	DCF model[1] and Black-Scholes model	Spread	N/A	Average 2.6% over LIBOR swap curve + 36bps
		Mortality	N/A	Based on published tables Adjusted PCA00
		Voluntary redemption rate	N/A	1.5% to 7%
Other illiquid assets	DCF model[1]	Credit spread	N/A	172bps (weighted average)
Other debt securities	Underlying valuation based on ERM loans – see above			
Equity	Single broker [2] and net asset value[3]	Single broker indicative price	N/A	N/A
Unit trusts and other pooled investments	Net asset value statements[3]	N/A	N/A	N/A
Assets held to cover linked liabilities	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table			
Other creditors				
Property reversion loans	Internally developed model	Mortality rate	N/A	PFL92 (Female) PML92 (Male)
		House price inflation	N/A	3 year RPI rate plus 0.75%
		Discount rate	N/A	3-year swap yield
		Deferred possession rate	N/A	3.7%
Other liabilities				
Insurance liabilities for securitised loans	Underlying valuation based on ERM loans – see above			

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

20. Tax assets and liabilities

	2023 £m	2022 £m
Current Tax		
Current tax payable	-	20
	-	20
Deferred Tax		
Deferred tax assets	-	52
Net deferred tax assets	-	52

Year ended 31 December 2023

	At 1 January £m	Recognised in the Statement of comprehensive income £m	Transferred to PLL £m	At 31 December £m
Trading losses	22	11	(33)	-
Expenses and deferred acquisition costs carried forward	17	3	(20)	-
Provisions and other temporary differences	(2)	(1)	3	-
UK GAAP transitional adjustment	19	(19)	-	-
Unrealised gains on investments	(4)	-	4	-
Other				
	52	(6)	(46)	-

Year ended 31 December 2022

	At 1 January £m	Recognised in the Statement of comprehensive income £m	At 31 December £m
Trading losses	2	20	22
Expenses and deferred acquisition costs carried forward	3	14	17
Provisions and other temporary differences	-	(2)	(2)
IFRS transitional adjustment	(4)	4	-
UK GAAP transitional adjustment	35	(16)	19
Unrealised gains on investments	(12)	8	(4)
	24	28	52

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

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

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

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

A transitional loss of £84m (2022: £153m) arose on the change of accounting basis from IFRS to UK GAAP. The deferred tax note has been restated to include the asset arising from this loss.

Deferred tax recognition

£21m of the deferred tax asset at 31 December 2022 was projected to unwind in the following 12 months.

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

Deferred tax assets are recognised on tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The value attributed to them takes into account the certainty or otherwise of their recoverability. Their recoverability is measured against anticipated taxable profits and gains based on business plans.
Deferred tax has not been recognised in respect of excess BLAGAB management expenses at 31 December 2022 of £155m. These losses can only be used against future BLAGAB income and the UK's 'corporation loss restriction' rule of 50% does not apply to the use of these losses.

The Company also had £118m of BLAGAB trading losses carried forward as at 31 December 2022. £37m of gross losses are projected to be utilised, however no value has been attributed to these deferred tax assets given the interaction with other deductible temporary differences. Deferred tax assets have not been recognised in respect of the remaining £81m of losses due to the uncertainty of future trading profits against which the losses could be offset. The losses described were transferred to PLL during the period and there are no losses, recognised or unrecognised remaining in the Company at 31 December 2023.

EU dividend Group Litigation order

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

The Supreme Court concluded in favour of the tax payer in July 2018 and a tax benefit of £7m was recognised at 31 December 2018 in relation to enhanced double tax relief claims which the Company is entitled to in accordance with the Court judgement. The tax refund is for the benefit of the Pearl and London Life with-profits funds. In the case of the Pearl with-profits funds there was an increase in unallocated surplus as a result of the recognition of the tax asset.

Any benefit arising from these claims was transferred to PLL as part of the Part VII transfer under the Financial Service & Markets Act 2000.

21. Assets held to cover linked liabilities

	Cost		Carrying value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Assets held to cover linked liabilities	-	238	-	272

	2023	2022
	£m	£m
Assets held to cover linked liabilities:		
Financial assets	-	272
	-	272
Financial Assets		
Financial assets at fair value through profit and loss		
Unit trusts and other pooled investments	-	272
	-	272

The assets held to cover linked liabilities as at 31 December 2022 were £272m. These were held to cover net liabilities of £275m, being the net of the technical provisions for unit-linked liabilities of £1,668m, less the reinsurers share of those liabilities of £1,393m.

22. Debtors: Other debtors

	2023	2022
	£m	£m
Initial margins	-	369
Collateral pledged	-	771
Amounts due from related parties - group undertakings	-	14
Investment broker balances	-	15
Other receivables	-	22
	-	1,191
Amount recoverable after 12 months	-	-

23. Other Assets: Cash at bank and in hand

	2023	2022
	£m	£m
Bank and cash balances	-	78
Total cash at bank and in hand	-	78

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

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

	2023 £m	2022 £m
Prepayments	-	32
Accrued income	-	16
	-	48
Amount recoverable after 12 months	-	30

Included within prepayments is 2023 £nil (2022: £32m) of consideration relating to the transfer of various risks to PGMS and PGS. This consideration is amortised over the expected life of the contracts.

25. Capital and reserves: Called up share capital

	2023 £m	2023 Number	2022 £m	2022 Number
Issued and fully paid:				
"A" Ordinary shares of £0.05 each	2	42,169,489	2	42,169,489
"B" Ordinary shares of £1 each	340	340,001,000	340	340,001,000
	342	382,170,489	342	382,170,489

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

The holders of the “A” ordinary shares have no voting rights.

The holders of the “B” shares are entitled to:

- one vote per share on matters to be voted on by owners;
- to receive 99.999% of such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits, with the balance going to the holders of the “A” ordinary shares;
- on a return of capital, repayment in full of the capital paid up on the “B” ordinary shares and a further sum equal to 99.999% of the assets available for distribution to members with the balance of assets then going to the holders of the “A” ordinary shares.

26. Capital and Reserves: Other Reserves

	Capital contribution reserve £m	Restructuring reserve £m	Other reserves total £m
At 1 January 2023	97	-	97
Part VII transfer	-	(564)	(564)
At 31 December 2023	97	(564)	(467)
At 1 January 2022 and 31 December 2022	97	-	97

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

Restructuring reserve
On 30 September 2023, £564m was transferred to PLL under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000. Following merger accounting principles this reserve was created to reflect this balance in equity. The restructuring reserve is considered fully distributable.

27. Technical provisions

There were no technical provisions at 31 December 2023.

Technical provisions

	Long-term Business Provision £m	Linked Liabilities £m	Reinsurers' share: Long term business provisions	Reinsurers' share:linked liabilities £m
At 31 December 2022				
Insurance contracts	3,935	26	544	3
Investment contracts with DPF	3,384	5	-	-
Investment contracts without DPF	1,770	1,637	(1)	1,390
	9,089	1,668	543	1,393

Movements in liabilities

	Long-term Business Provision £m	Linked Liabilities £m	Reinsurers' share: Long term business provisions £m	Reinsurers' share:linked liabilities £m
At 1 January 2023	9,089	1,688	543	1,393
Premiums / deposits	111	-	(5)	-
Claims / withdrawals	(736)	(23)	158	-
Other changes in liabilities	(9)	(66)	(212)	(58)
Part VII transfer	(8,455)	(1,599)	(484)	(1,335)
At 31 December 2023	-	-	-	-
At 1 January 2022	12,126	1,973	739	4
Premiums	170	1	8	-
Claims	(967)	(32)	203	7
Other changes in liabilities	(2,240)	(254)	(407)	1,382
At 31 December 2022	9,089	1,688	543	1,393

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

Assumptions

Valuation of participating insurance and investment contracts

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

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

Valuation of non-participating insurance contracts

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

Process used to determine assumptions

The approach to the valuation of insurance contracts in the financial statements is as follows:

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

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

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

	Increase/ (decrease) in insurance liabilities 2023 £m	Increase/ (decrease) in insurance liabilities 2022 £m
Change in longevity assumptions	-	(29)
Change in persistency assumptions	-	23
Change in other assumptions	-	(7)

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

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

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

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

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

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

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

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

Some pension contracts include guaranteed annuity options (see deferred annuities below for details). The total amount provided in the with-profits funds in respect of the future costs of guaranteed annuity options are £nil (2022: £507m).

Discretionary participating bonus rate
The regular bonus rates assumed in each scenario are determined in accordance with the Company's PPFM. Final bonuses are assumed at a level such that maturity payments will equal asset shares subject to smoothing rules set out in the PPFM.

With-profits deferred annuities participate in profits only up to the date of retirement. At retirement, a guaranteed cash option allows the policyholder to commute the annuity benefit into cash on guaranteed terms.

In common with other life companies in the UK which have written pension transfer and opt-out business, the Company has set up provisions for redress relating to personal pension policies. These provisions, which have been calculated from data derived from detailed file reviews of specific cases, are included in liabilities arising under insurance contracts. The total amount provided in the with-profits in respect of redress relating to pension policies, including associated costs, are £nil (2022: £127m).

Managing product risk
The following sections give an assessment of the risks associated with the Company's main life assurance products and the ways in which the Company manages those risks. The following tables provide a product analysis of the liabilities under insurance contracts, apportioned between 'technical liabilities' and 'linked liabilities' and reinsurers' share of insurance contract liabilities within the Statement of financial position at 31 December 2022. There were no liabilities under insurance contracts or reinsurers' share of insurance contract liabilities at 31 December 2023.

2022	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds						
Pensions						
Deferred annuities	1,412	-	-	-	-	-
Immediate annuities	56	-	-	-	-	-
Unitised with-profits	36	3,014	1,718	-	-	-
Total pensions	1,504	3,014	1,718	-	-	-
Life						
Unitised with-profits	24	368	63	-	-	-
Life with-profits	380	-	-	-	-	-
Total life	404	368	63	-	-	-
Other	70	-	(12)	4	-	1,383
Non-profit funds						
Deferred annuities	9	-	-	-	-	-
Immediate annuities	1,959	-	-	-	-	-
Protection	(10)	-	-	-	-	-
Unit-linked	(1)	-	1	22	5	254
Other	-	2	-	-	-	-
	3,935	3,384	1,770	26	5	1,637

2022	Reinsurance	
	Insurance contracts £m	Investment contracts without DPF £m
With-profits funds		
Other	3	1,383
Non-profit funds		
Immediate annuities	549	-
Protection	(6)	-
Unit-linked	1	7
	547	1,390

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

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

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

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

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

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

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

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

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

The main risks associated with this product are longevity and investment risks. Longevity risk arises where the annuities are paid for the lifetime of the policyholder, and is managed through the initial pricing of the annuity and through reinsurance (appropriately collateralised) or transfer of existing liabilities. Annuities may also be a partial 'natural hedge' against losses incurred in protection business in the event of increased mortality (and vice versa) although the extent to which this occurs will depend on the similarity of the demographic profile of each book of business.

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

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

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

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

28. Capital Management

Capital Management Framework

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

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

The Company has met all of these objectives throughout the financial year. The framework comprises a suite of capital management policies that govern the allocation of capital throughout the Company to achieve the framework objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, owner dividend policy and regulatory capital requirements.
The capital requirements of the Company are forecast on a periodic basis, and the requirements are assessed against the forecast available capital resources. In addition, internal rates of return achieved on capital invested are assessed against hurdle rates, which are intended to represent the minimum acceptable return given the risks associated with each investment. Capital plans are ultimately subject to approval by the Board.

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

Solvency II ("SII") external capital requirement

Following the implementation of the SII directive effective from 1 January 2016, the Company's capital is managed on a SII basis.

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

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

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

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

The SII surplus position at 31 December 2023 is presented in the Strategic report on page 2.

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

Capital Policy

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

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

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

29. Risk management

a) Overview

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

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

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

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

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

Part VII transfer
Effective 30 September 2023, the Company successfully transferred all business to a fellow Group company, PLL. This transfers the majority of risks to PLL, the residual key risks for the Company are discussed in the following sections.

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

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

c) Strategic risk

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

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

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

d) Financial risks

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

Responsibility for agreeing the financial risk profile rests with the Board, as advised by investment managers, internal committees and the actuarial function. In setting the risk profile, the Board will receive advice from the Chief Investment Officer, and the Chief Actuary as to the potential implications of that risk profile on the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement.

The Company's overall exposure to investment risk is monitored by appropriate committees, which agree policies for managing each type of risk on an ongoing basis.

(e) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. Note 28 gives more detail on how capital and capital management risk are managed.

(f) Financial Soundness: Tax risk

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

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

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

(g) Market risk

The risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of changes in interest rates, inflation rates and currency exchange rates.

The Company is exposed to market risk as a result of the investment of assets held to meet regulatory capital and solvency requirements.

(h) Credit risk

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

The principal sources of credit risk for the Company:

- The principal sources of credit risk for the Company results from direct investment activities, including investments in debt securities, derivative counterparties, collective investment schemes, hedge funds and the placing of cash deposits.

The amount disclosed in the Statement of financial position in respect of all financial assets, together with rights secured under unrecognised collateral arrangements, represents the Company's maximum exposure to credit risk.

The vast majority of credit risk has been transferred from the Company through the Part VII transfer to PLL. Negligible exposure to credit risk remains, which results from assets held to meet the regulatory minimum capital requirement. The Company policy is to only invest in highly rated counterparties to manage the exposure to credit risk.

(i) Operational risk

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

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

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

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

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

30. Provisions for other risks: Other provisions

	Strategic review of outsourcing relationships £m	Other £m	Total £m
At 1 January 2023	3	3	6
Unused amounts released	-	(1)	(1)
Used during the year	(2)	-	(2)
Part VII transfer	(1)	(2)	(3)
Total at 31 December 2023	-	-	-
Amount due for settlement after 12 months	-	-	-

Provision for strategic review of outsourcing relationships

On 29 November 2018, Phoenix Group announced the intention to move to a single, digitally enhanced outsourcer platform which will improve customer outcomes, supported by Diligenta Limited. A provision was recognised in 2018 for the Company's share of the expected cost of the platform migration, payable to PGMS as policies are successfully transferred.

Other provisions

'Other' provisions include a provision relating to unfunded pension liabilities.

The Company's provision balances were transferred to PLL following the Part VII transfer effective 30 September 2023.

31. Creditors: Other creditors including taxation and social security

	2023	2022
	£m	£m
Derivative liabilities	-	924
Other financial liabilities	-	49
Amounts due to related parties - subsidiaries	-	224
Investment sundry creditors	-	36
Other payables	-	36
	-	1,269

32. Amounts owed to credit institutions

	2023	2022
	£m	£m
Financial liabilities at fair value through profit or loss		
Property reversion loan	-	18
	-	18
Amount due for settlement after 12 months	-	18

As part of a loan agreement with Santander UK plc (“Santander”) relating to the sale of Extra-Income Plan policies, Santander receive an amount from the Company calculated by reference to the movement of the Halifax House Price Index and the Company has undertaken to indemnify Santander against profits or losses arising from mortality or surrender experience which differs from the basis used to calculate the reversion amount.

Repayment is on a policy-by-policy basis and is expected to occur over the next 10 to 20 years. The embedded derivative feature of the contract is unable to be separately measured from the host contract. As such the borrowing is designated as a liability at fair value through profit or loss. During the year, repayments totalling £4m (2022: £3m) were made. Following the Part VII transfer the liability was transferred to PLL.

33. Accruals and deferred income

	2023	2022
	£m	£m
Accruals	-	6
	-	6
Amount due for settlement after 12 months	-	-

34. Commitments

	2023	2022
	£m	£m
To subscribe to private equity funds and other unlisted assets	-	195
	-	195

35. Related party transactions

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

36. Ultimate parent and ultimate controlling party

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

37. Events after the reporting period

On 30 May 2024, the Company submitted an application to the PRA for cancellation of its Part 4A permissions. This does not alter the basis of preparation of the financial statements and has no financial impact.

38. Listing of subsidiaries

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

Company Name	Country of incorporation and principal place of operation	Type and % of holding
London Life Trustees Limited	England and Wales	Ordinary shares, 100%
National Provident Life Limited *	England and Wales	Ordinary shares, 100%
NP Life Holdings Limited	England and Wales	Ordinary shares, 100%
NPI (Westgate) Limited	England and Wales	Ordinary shares, 100%
NPI (Printworks) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Barwell 2) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Chiswick House) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Moor House 1) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Moor House 2) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Printworks) Limited	England and Wales	Ordinary shares, 100%
Phoenix (Stockley Park) Limited	England and Wales	Ordinary shares, 100%
Pearl Trustees Limited	England and Wales	Ordinary shares, 100%
The London Life Association Limited	England and Wales	Ordinary shares, 100%

* Held indirectly, being a subsidiary of NP Life Holdings Limited.

All strategic subsidiaries have the registered office address 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

39. Impacts of transition to UK GAAP

Reconciliation of equity	**Notes**	31 December 2022 £m	31 December 2021 £m
Equity as reported under IFRS		626	916
Valuation of technical provisions	a)	(82)	(154)
Tax impact of adjustments	c)	19	36
Equity as restated under UK GAAP		563	798

Reconciliation of profit / (loss)	**Notes**	31 December 2022 £m
Loss as reported under IFRS		(140)
Valuation of technical provisions	a)	72
Tax impacts of adjustments	c)	(17)
Loss as restated under UK GAAP		(85)

Notes to reconciliations on adoption of UK GAAP

a) Valuation of technical provisions

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

b) Adjustment to investment in subsidiaries

Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 does not allow for investments in subsidiaries to be measured at cost less impairment. As a result, the valuation of subsidiaries held for strategic purposes moved to fair value through profit or loss on transition. There was no impact to the recognition or classification of investment in subsidiaries as a result of the transition to UK GAAP. Further detail on valuation is given in note 15.

c) Tax impact of adjustments

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

(d) Presentational changes

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