STANDARD LIFE ASSURANCE LIMITED

Company Registration Number: SC286833

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

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Strategic report

The Directors present the Strategic report, their Report and the financial statements of Standard Life Assurance Limited ("the Company") for the year ended 31 December 2022.

The financial statements of the Company for the year ended 31 December 2022 have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Business review

Principal activities

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

The Company operates through three business channels:

UK Open: this channel is comprised of the Company's open retail business, where the relationship is either directly with the customer or their financial adviser, the workplace business, where the pensions and savings products are provided to employees through their employers and retirement solutions (vesting annuity) business. Retail and workplace products are actively marketed to new and existing customers.

UK Heritage: this channel is comprised of the Company's heritage retail book which includes older fee based business that was predominantly written before demutualisation and spread/risk products, such as protection. Heritage products are not actively marketed to customers.

Europe: this channel includes Irish, German and Austrian business reinsured to the Company from Standard Life International dac ("SLIDAC").

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

Strategy

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

The Company conducts the majority of the Phoenix Group's Open business in areas such as workplace pensions and self-invested personal pensions. This Open business is supported by the strategic partnership with abrdn plc (formerly Standard Life Aberdeen).

Corporate activity

Strategic Partnership with abrdn

On 23 February 2021, the Group announced that it had entered into a new agreement with abrdn, to simplify the arrangements of their strategic partnership.

The remaining activity relates to the sale of the Company's Wrap Self Invested Personal Pension ("Wrap SIPP"), Onshore Bond and UK Trustee Investment Plan ("TIP") to abrdn, which is subject to regulatory clearance for both parties, and will be effected through a Part VII transfer targeted for completion in 2023. During the year the Company continued internal planning and engagement with the PRA in anticipation for this transaction.

The assets and liabilities associated with the products being sold to abrdn are classified as a disposal group held for sale and as a discontinued operation. The results of these products are shown in note 4.

Collectivisation of assets

In order to realise operational efficiencies and reduce expenses incurred by the policyholder, the Company continued to disinvest holdings of directly held equities, instead gaining exposure to the same equities through investment in collectives, primarily managed by Phoenix Unit Trust Managers Limited, a subsidiary of the Phoenix Group. This transaction resulted in a reduced investment in direct equities by c£0.3bn (2021: £13.0bn) with an equal increase in investments in subsidiaries held for investment purposes. The Company's economic exposure did not change as the equities previously held by the Company are instead held within these collectives.

Fund-accounting services migration
The Company transferred all fund-accounting services to HSBC, enlarging and enhancing its current partnership. Migration of £40bn of with-profit and shareholder assets from Citi to HSBC completed successfully on 31 August 2021.

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

The current SAA reflects (i) a higher allocation to private assets, driven by both the higher illiquidity premium available on these assets; and (ii) the ability to increase the allocation to non-GBP assets, which can increase credit portfolio diversification.

Future developments

Part VII transfers
Subject to regulatory approval, the Company intends to complete a Part VII of its business into Phoenix Life Limited, a fellow Group company, in order to realise further cost and capital synergies. The Company is working towards an effective date of 30 September 2023, subject to receiving all required approvals.

Policy administration outsourcing
During the year, the Company's continued its transition activity with Diligenta Limited ("TCS Diligenta"), a subsidiary of Tata Consultancy Services Limited. The end state will involve the outsourcing of policy administration to TCS Diligenta in order to support our growth plans for the Company's Open business.

Regulatory developments
The Company continues its preparations for the introduction of the new insurance accounting standard, IFRS 17, which will significantly change the way the Company measures its insurance contracts and investment contracts with discretionary participation features ("DPF"), impacting profit emergence patterns and adding complexity to valuation processes, data requirements and assumption setting. Further detail on this is set out in note 3.

The UK government has launched a consultation into the Future Regulatory Framework for financial services, and separately into the Solvency II regime. These reviews could lead to significant changes to the Company's regulatory environment, and could create both challenges and opportunities for its business. The Company continues to monitor changes in the regulatory environment and feedback on consultations both via the Group and industry bodies.

Climate change: activity in the year and future developments
Climate change is one of the greatest global challenges Group faces today. Group's ambition is to be a net zero business by 2050 and the Company has a significant role to play in helping to address the climate emergency and accelerating the transition to a net zero economy. This is intrinsically linked to Group's purpose of helping people secure a life of possibilities.

Group have set an overarching target of being net zero carbon in our investment portfolio by 2050, in accordance with science-based targets. Group have also set interim carbon intensity reduction targets which provide a clear pathway to our overall net zero commitment: a 25% reduction in the carbon emission intensity of investments by 2025; and a 50% reduction in the carbon emission intensity of investments by 2030. These interim targets will cover listed equity and credit assets where the Company can exercise control and influence. The Company applies Group strategy and processes to ensure it can contribute towards Group meeting its objectives.

The Company is focused on providing savings and insurance products that enable policyholders to direct finance to help accelerate the transition to a low carbon economy.

On 9 February 2022 the Bank of England launched the second round of the Climate Biennial Exploratory Scenario ("CBES") exercise, which is designed to assess the financial risks arising from climate change. Round 2 of the CBES was completed during 2022, on a consolidated basis including the Company, exploring the strategic responses to the three scenarios and the associated implications for business models.

The Group is engaging with partners to boost impacts by working collaboratively to deliver cross-sector change and thought leadership. The Group joined the Net Zero Asset owners alliance in May 2021, the Partnership for Carbon Accounting Financials UK in June 2021 and signed up to the Taskforce on Nature-related Financial Disclosures in November 2021.

More information can be found in the principal risks section of this report, and in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations.

Key Performance Indicators ("KPIs")

The results of the Company for the year are shown in the Statement of comprehensive income on page 39.

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 2022 the Company's estimated Solvency II Own funds (unaudited) and excess of own funds over solvency capital requirement (unaudited) were £4,659m (2021: £4,171m) and £2,543m (2021: £1,174m) respectively.

Adjusted operating profit

Adjusted operating profit is one of the key performance indicators used by the Company's Directors and executive management to explain the financial performance of the Company. This measure incorporates an expected return, including a longer term return on financial investments backing shareholder and policyholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Adjusted operating profit excludes impacts arising from short-term economic volatility and other one-off items which, due to their size or nature, are not indicative of long-term operating performance.

This non-GAAP measure provides a good indicator of the Company's performance as it provides long-term performance information unaffected by short-term economic volatility and one-off items, and is stated net of policyholder finance charges and tax. It provides stakeholders with a comparable measure of the underlying performance of the Company by identifying and analysing non-operating items.

Adjusted operating profit before tax decreased by £42m to £209m (2021: £251m). Adjusted operating profit includes expected returns, including the owners' share of with-profits bonus, of £178m (2021: £190m), changes in demographic assumptions of £46m (2021: £10m), demographic experience of £(37)m (2021: £(1)m), model and methodology changes of £19m (2021: £42m) and new business profits of £3m (2021: £10m).

A reconciliation from adjusted operating profit to profit attributable to owners can be found in note 5.

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 £295m were paid to the parent company during the year (2021: Nil). The Directors do not recommend the payment of a final dividend.

Net flows

Gross inflows represent funds received from customers. Gross outflows is the money withdrawn by customers during the year, including annuity payments. UK Open, consisting of Retail, Customer Savings & Investments, Workplace and Retirement Solutions saw net outflows of £0.3bn (2021: £1.9bn net outflows). UK Heritage saw net outflows of £2.1bn (2021: £2.4bn net outflows). Europe saw net outflows of £0.2bn (2021: £0.0bn net outflows (restated)).

Customer satisfaction score

The 2022 customer satisfaction percentage for the Company was 91% (2021: 92% (restated)). This measure highlights how satisfied customers are with Phoenix's telephony servicing proposition. The Company aims to maintain a customer satisfaction score which is consistently above 90%.

Financial ombudsman service ("FOS") overturn rate

This is an independent view of how the Company is handling complaints. The 2022 result for the Company was 16% (2021: 7%), which is better than the industry average of 37% and the "Decumulation, Life and Pensions" category average of 26%.

Speed of pension transfer payouts

This is a recognised industry measure for the speed of processing transfers. Transfer performance has contributed to the Company earning an accreditation with STAR, an industry initiative to improve pension transfers for customers.

Operations

The Company operates a fund structure which was established on the demutualisation of Standard Life Assurance Company on 10 July 2006, under which its recognised assets and liabilities are allocated to one of the following funds:

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

Policy administration is outsourced to the Company's subsidiary Standard Life Assets and Employee Services Limited ("SLAESL"), one of the service companies within the Group, which, in turn, has sub-contracted some expenses administration most significantly to TCS Diligenta. Under the Company's agreements with SLAESL, the majority of costs are 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 is Standard Life Investments Limited ("SLI"), a member of the abrdn Group, which was a related party of the Company until February 2021.

Investment administration is primarily outsourced to SLI and custody services are primarily outsourced to HSBC. During the year, custody services were also outsourced to Citi Global Transaction Services prior to transition to HSBC.

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 Phoenix Group. When considering issues of strategic importance, and making key decisions about the company (or those that impact the wider Group), the directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

The Board recognises that a company's stakeholders are integral to its success. During the year, the Company's directors ensured that its considerations and decision-making processes took into account their impact on its own stakeholders, namely:

- Its customers;
- Its strategic partners and outsourced service providers;
- The Group's employees engaged to undertake work on behalf of the Company;
- Its regulators, the Prudential Regulatory Authority and the Financial Conduct Authority; and
- The Company's immediate and ultimate parent, Phoenix Group Holdings plc.

During 2022, and as a result of the impact of the wider political and economic environment, the Board had deep dive sessions, in particular, on:

- The impact of the war in Ukraine to, to include the level of exposure to investments, impacts on customers and the increase in potential cyber attacks;
- the impact of the "Great Resignation" on the Group's employees and the potential for associated attrition and skills shortages;
- the impact of the "Cost of Living" and how the Group was reacting to the needs of both customers and the Group's employees who may be suffering from financial hardship; and
- the market instability faced during the second half of 2022.

Significant decisions that show how the Board considered relevant matters set out in section 172 are outlined in the table below, demonstrating how the directors of the Company have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2022.

KEY BOARD DECISION	**2022 Sustainability Strategy**
STRATEGIC IMPORTANCE **Investing in a sustainable future**	CONSIDERATION OF S172 MATTERS The Board's review of proposals relating to the Group Sustainability Strategy, focused on the following elements: **Fostering business relationships with suppliers, customers and others** The Board explored the proposed response to current consumer attitudes and long term changing consumer needs, including the launch of a financial inclusion strategy, embedding Environmental, Social and Governance (ESG) standards within funds and growing the existing digital literacy programme. It also considered the key initiatives designed to support the business in working responsibilty with its suppliers. These included plans for Net Zero modelling supplier emissions, undertaking an independent ESG risk assessment of the Group's supply chain and implementing outputs of a prompt payment project. An education session on the intended plans for the Net Zero Transition Plan due to be formalised in 2023 was provided to the Board in December 2022. **The interests of the Company's employees** Initiatives relating to investing in people and culture were also considered by the Board. These included plans to position diversity and inclusion constructs and processes as cultural enablers, targeting, measuring and rewarding performance and measuring colleague engagement through surveys designed to drive aciton and measurable improvements. **The impact of the Company's operations on the community and the environment** The Board reviewed initiatives and targets designed to reduce environmental impact. These included development of an internal carbon price to be used to inform a capital expenditure improvement plan, development of a biodiversity action plan and consideration of offsetting opportunities. It also considered ways in which the business proposed to support communities, which included further embedding charity partnerships, promoting the value of skills-based volunteering and maximising circular economy opportunities like equipment donation and lending facilities.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the Sustainability Strategy at local level, providing non-objection for the overall strategy. Final approval for the overall strategy was then sought from the Company's ultimate parent, Phoenix Group Holdings plc.

KEY BOARD DECISION	**Conduct Risk Framework**
STRATEGIC IMPORTANCE **Enhancing our operating model and culture**	CONSIDERATION OF S172 MATTERS The Board received a report setting out proposed changes to the Company's Conduct Risk Framework. Key matters considered by the Board in relation to the revised Framework included: **Maintaining a reputation for high standards of business conduct** The Board noted that proposed changes to the Framework were designed to ensure it evolved in line with the increased scale and complexity of the Company and wider Group. **Fostering business relationships with suppliers, customers and others** The Board also recognised that the framework would support the business in identifying areas where its acts or omissions impacted outcomes delivered to customers, or had the potential to do so if not corrected. In addition, the proposed changes were intended to provide alignment to the expectations of the Company's regulator, the Financial Conduct Authority. **The interests of the Company's employees** The Board noted that the standards set out in the Framework were aligned to a "Culture and Behaviours" pillar, which included colleague considerations such as Diversity and Inclusion. **The impact of the Company's operations on the community and the environment** A further pillar to which standards were aligned to was that of "Force for Good", which considered the impact of the Company in Society in relation to markets, communities and the Group-wide sustainability strategy.
OUTCOME	Following due consideration of the matters set out in section 172, the Board resolved to approve the updated Conduct Risk Framework.

KEY BOARD DECISION	**YE21 Annual Accounts**
STRATEGIC IMPORTANCE **Optimising our in-force business**	CONSIDERATION OF S172 MATTERS
	Likely consequences of any decisions in the long term As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE21 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long-term impact of the decision to approve the YE21 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate. **Maintaining a reputation for high standards of business conduct** Prior to approving the YE21 accounts, the board considered the opinions of the Finance Director with supporting paperwork presented by the Financial Reporting team, together with the outcome of an external audit for the accounts, including assessments relating to the impact of geopolitical risk in light of escalating Ukraine tensions and remaining uncertainty in respect of Covid19.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE21 accounts.

KEY BOARD DECISION	**H1 2022 and Year end Dividend Proposal**
STRATEGIC IMPORTANCE **Optimising our in-force business**	CONSIDERATION OF S172 MATTERS
	At the 2022 mid-year point and year end, the Board received papers setting out in detail the Company's actual and projected solvency and liquidity position, to enable it to assess the resources available for a distribution to the Company's sole shareholder, Phoenix Group Holdings plc. **Likely consequences of any decisions in the long term** When considering the proposal to approve the dividends, the Board paid due regard to the long term impact of that decision – specifically in relation to the Company's ability to meet its regulatory capital requirement. In particular, the Board considered the impact of market stresses and extreme inflation on the Company's ability to remain robustly capitalised following the payment of any dividend. The Board also received comprehensive Line 2 assurance from the Risk function as to the appropriateness of the proposed dividend. **Fostering business relationships with suppliers, customers and others** The Board recognised the importance of being able to provide assurance to the regulator, the Prudential Regulatory Authority, as to its sound and prudent management. The Board considered the H1 and year end 2022 dividend proposal in the context of satisfying its regulatory capital obligations in this respect. It also noted the impact of the proposed dividend payment on the Company's customers, recognising that the solvency position post-payment meant that policyholder obligations continued to be met. **Maintaining a reputation for high standards of business conduct** In addition to maintaining its minimum regulatory capital requirement, the Company applies an additional capital buffer as an extra layer of prudence. The Board considered the H1 2022 and year end dividend proposal in the context of maintaining its additional management buffer. In doing so, it recognised the importance of the Company's ongoing capital strength.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the H1 dividend of £225m and a further interim dividend of £70m, to be paid to its sole shareholder, Phoenix Group Holdings plc.

KEY BOARD DECISION	**Closed Book Business Acquisition**
STRATEGIC IMPORTANCE **Growing our business to support both new and existing customers**	CONSIDERATION OF S172 MATTERS
	The Board received a proposal in relation to the ultimate parent's proposed acquisition of a closed book business in order to consider the impact of doing so on the Group's Life Companies, of which the Company is one. **Fostering business relationships with suppliers, customers and others** The proposal incorporated a detailed analysis of potential customer impacts in respect of the acquisition. The Board noted that whilst there were no red flags, work would be required to align some product outcomes to Phoenix's appetite. This work was expected to be achieved without placing customer outcomes for existing Phoenix customers at risk. **Maintaining a reputation for high standards of business conduct** The outputs of an Acquisition Impact Assessment of operational capacity to deliver the target operating model post-acquisition were considered by the Board. The Board noted that integration execution would be gradual and measured, beginning only when capacity became available. The only exception to this approach would be where the target was outside of Group risk appetite. **Likely consequences of any decisions in the long term** The Board discussed how any potential impact on the Company's capital position arising from the target's products offering guaranteed rates would need to be managed, noting that to do so, it needed to be comfortable that reserves were appropriate, the capital position was robust and that customers were being treated fairly.
OUTCOME	Following due consideration of the matters set out in section 172, the Board concluded that it was able to provide the Group Board with a non-objection for the transaction to proceed.

KEY BOARD DECISION	**Customer and Vulnerable Customer Strategies**
STRATEGIC IMPORTANCE **Enhancing our operating model and culture**	CONSIDERATION OF S172 MATTERS
	The Board considered proposals relating to the ongoing strategy and management for customers, to include vulnerable customers. **Fostering business relationships with suppliers, customers and others** The Board considered the continued development of a Group wide customer strategy to include ambition, capabilities and investment which cuts across all areas of the Group and which aligned to the overall ambition of providing products and services to customers across the Group, to and through retirement. The Board noted that the proposals to provide a visible and holistic response to its vulnerable customers was integral to the delivering Phoenix's vision to grow a strong and sustainable business, helping more people on their journey towards and through retirement. It also recognised that vulnerability was not only driven by socio-economic factors, but was also exacerbated by the cost of living crisis and complexities around Life and Pensions business decision making and the guidance and advice gap. The Board noted that all customers had the potential to become vulnerable at some point in their lives. In considering the proposals, the Board challenged how consistency of approach across all books of business could be achieved and demonstrated. It also sought to understand how vulnerability was captured at the earliest stages of customer interaction. **Maintaining a reputation for high standards of business conduct** The Board discussed the need for the customer strategy to align to the principles being set out in the FCA's Consumer Duty plans. The Board noted how the proposed vulnerable customer strategy was designed to go beyond simply meeting FCA requirements or solving a current problem for customers. Rather the ambition was for Phoenix to become market leading in how it supports and proactively responds to customer vulnerability.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved: - the strawman Group wide customer strategy and approach; - the proposed strategy by which vulnerable Phoenix customers could be identified and supported.

KEY BOARD DECISION	**Policy administration outsourcing**
STRATEGIC IMPORTANCE **Optimising our in-force business**	CONSIDERATION OF S172 MATTERS During the year, the Board considered a proposal to migrate the first tranche of annuity policy administration to Diligenta Limited. **Likely consequences of any decisions in the long term** 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. **Fostering business relationships with suppliers, customers and others** The Board considered actions identified and undertaken in order 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. **Maintaining a reputation for high standards of business conduct** As well as ensuring that learnings from migrations undertaken by other companies within the wider Group 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.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the decision to go live with the migration.

KEY BOARD DECISION	**Retail Strategy and new propositions**
STRATEGIC IMPORTANCE **Growing our business to support both new and existing customers**	CONSIDERATION OF S172 MATTERS During the year, the Board received various updates on the direction of travel for growth in the Open Business to include the proposal to deliver a Workplace ISA product. **Likely consequences of any decisions in the long term** In considering the ongoing strategy and proposition opportunities, the Board considered the longer term Retail Strategy being developed that would support customers currently in Workplace or Group schemes who may, in time, transition to being an individual retail customer. Indeed, similarly those heritage customers who may need support with their policy. The Board also received a number of updates through the year on growth opportunities and new products being developed by the Retirement Solutions business. **Fostering business relationships with suppliers, customers and others** The Board further considered the rationale, and subsequently approved, the launch of a Workplace ISA with the support of an external service provider to ensure that the Workplace proposition was a compelling one in the market for both existing and new clients.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved: - The customer and operational impacts of the longer term Retail Strategy; - The launch of a Workplace ISA.

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

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.

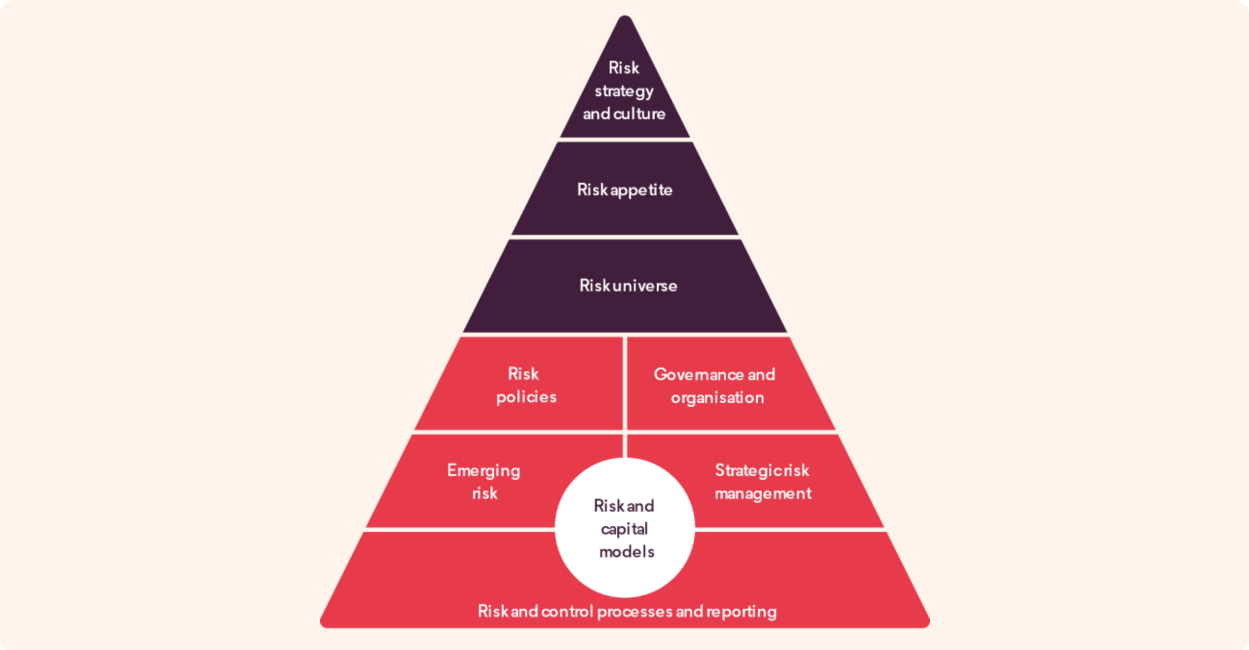
Business relationships with Partners/Suppliers
The Service Companies within the Group are the principal leads on maintaining relationships with suppliers with respect to their contractual obligations. In accordance with the PRA's Supervisory Statement 'SS2/21', the Company's Board, as part of the collective Life Companies' Board, has oversight of the relationship with outsourced service providers ('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 Risk Management Framework (RMF). The Group's RMF embeds proactive and effective risk management. It seeks to ensure that all material risks are identified, assessed, controlled monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Group 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 2022.



Risk Environment

The overall risk environment remains uncertain and is dominated by ongoing inflationary pressures, with implications for economic stability and the welfare of the Company's customers and colleagues.

The cost of living crisis and sustained high inflation is impacting the lives of the Company's customers, particularly those that are most vulnerable. Increased taxes and reduced public spending announced in the Autumn Budget are likely to exacerbate these impacts. The Company remains focused on finding ways to support its customers and has also introduced a number of initiatives to support colleagues. Central Banks face a challenging balancing act to control inflation whilst managing the risk of global recession. The Group's Stress and Scenario Testing programme continues to consider a range of adverse circumstances to help the Group and its Life Companies determine any actions needed to respond to economic pressures.

Geopolitical risk remains prominent, including the effects arising from the ongoing conflict in Ukraine as well as post-Brexit factors. The Group continues to monitor developments across the political environment.

The regulatory change agenda continues to have potentially significant implications for the Company and the Group achieving its strategic priorities. The Group is supportive of the Solvency II Reforms, but requires detail on the final rules to determine the implications for the Company's strategic asset allocation. Progressing key tasks on the implementation plan for the FCA's new Consumer Duty is another key area of focus in order to demonstrate the Group and Company's priority of helping customers achieve a life of possibilities.

The Group is working to implement the requirements of IFRS17. Whilst plans are in place to deliver the required disclosures in the interim accounts, there remain significant delivery risks given the complexity of the business. The Group recognises that should it not deliver IFRS 17 reporting for the HY23 interim accounts, certain reputational, regulatory and other market consequences would arise that could be material. Management has considered the risks to executing the plans and identified actions that could be taken should these risks materialize.

The Group also maintains a significant self-initiated change agenda in order to deliver on its strategic priorities. In 2022 a number of enhancements were made to the Group's Change Management Framework, applicable to the Company, including to the prioritisation and scheduling of change, and strengthened controls around change delivery.

The Group and the Company retains focus on delivering on its strategic operating model. In 2022 this included migration of a further 400,000 Standard Life Assurance policies to TCS Diligenta, the transfer of custodian services for £90bn assets to HSBC and progress towards the simplified operating model with abrdn plc. The Company places significant focus on the operation of these partnerships, including the operational resilience of each, in order to protect the efficient operation of the business and delivery of service to its customers.

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 2022. All thirteen Group principal risks are relevant to the Company and are outlined in the sections that follow.

During 2022, 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 40 of the financial statements.

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

The HWPF is in a strong solvency position (i.e. does not require shareholder support in meeting its liabilities and capital requirements) and the risks of meeting policyholder guarantees are unlikely to have a material adverse impact on the owners. Risks are managed through investment strategies matching liabilities with fixed and variable rate income securities to mitigate risks associated with guarantees and with the purchase of derivatives to mitigate risks of guaranteed annuity options.

The Company closely manages the risk of failure to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements mandated by the Solvency II Directive and the PRA. The Capital Management Framework is detailed in note 39.

Strategic risk – Organic Business Growth

1. The Group, including the Company, fails to deliver long-term organic growth

Impact	Mitigation	Events in the year
The Company aims to deliver sustainable cash generation by achieving organic growth in excess of the run-off from its in-force business. Confidence in the Group might be diminished if it fails to deliver organic growth in line with targets shared, particularly as the Group seeks to promote a 'customer obsessed' mind-set underpinned by strong retention and consolidation as customers journey to and through retirement.	The Group's Business Unit structure brings renewed focus and accountability. Each Business Unit holds an annual strategy setting exercise to consider customer needs, the interests of shareholders, the competitive landscape and the Company's overall purpose and objectives. The Group's Annual Operating Plan commits it to making significant investment in its Pensions & Savings business which will include propositions which are driven by customer insight.	The Pensions and Savings Business, operating under the Standard Life brand, has developed its operating model to centre around three Trading Channels; Workplace, Retail Intermediated and Retail Direct. In Workplace, the Company continues to make progress in the market, launching new propositional features such as Workplace ISA. The Company, continues to recruit to increase its capability in terms of proposition and distribution; 68 new scheme wins have been confirmed during 2022 (compared with 41 for 2021), and the Company is actively managing a number of enquiries. The operating model and organisational design are being developed and implemented for the Retail businesses, with the aim of maximising opportunities for growth, both directly with Company and through advisers. The Group is looking to expand the current offering of financial guidance and advice to support customers in better preparing for their retirement. The Pensions and Savings business has established, alongside the Workplace Business, a retail Direct Function to mobilise this.

Strategic risk – Strategic Partnerships

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

Impact	Mitigation	Events in the year
The Company's strategic partnerships are a core enabler for delivery of the Company's strategy; they allow the Company to meet the needs of our customers and clients and deliver value for shareholders. The Group's end state operating model will leverage the strengths of strategic partners whilst retaining in-house key skills which differentiate us from the market. However, there is a risk that the Group and the Company's strategic partnerships do not deliver the expected benefits leading to adverse impacts on customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Some of the key strategic partnerships include: **abrdn plc**: Provides investment management services to the Company including the development of investment solutions for customers. **TCS Diligenta**: The Group's enlarged partnership with TCS Diligenta is expected to support growth plans for the Company's Pensions & Savings business, enabling further market-leading digital and technology capabilities to be developed to support enhanced customer outcomes. **HSBC**: Provides fund accounting services to the Company.	The Group has in place established engagement processes with abrdn plc to oversee and develop the strategic partnership. These processes reflect the simplified and extended strategic partnership between the Group and abrdn plc that was announced in February 2021. The Company's engagement with TCS, adheres to a rigorous governance structure, in line with the Group's Supplier Management Model. As a result, productive and consistent relationships have been developed with TCS, which will continue to develop throughout future phases of the enlarged partnership. The Group has in place established processes to oversee services provided by HSBC in line with its supplier management model. The Group takes steps to monitor its supplier concentration risks and has rehearsed contingent management actions to deploy should there be a significant failure of a strategic partner.	The Company continues to develop its partnership with TCS Diligenta to support its strategic deliverables. The successful migration of around 400,000 Standard Life Assurance customer policies to the TCS BaNCS platform was completed in May 2022 During 2022 the Company and a fellow subsidiary successfully migrated £90 billion of assets to HSBC. This is a key milestone in the Group's journey towards implementing harmonised investment administration processes, and boosts its strategic partnership with HSBC. The simplified and extended partnership with abrdn plc continues to advance towards the Target Operating Model with significant progress towards the transfer of Wrap platform products and Trustee Investment Plan, expected in 2023

Strategic Risk – Acquisitions & Transitions

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

Impact	Mitigation	Events in the year
The transition of acquired businesses into the Group, including customer migrations, could introduce structural or operational challenges that without sufficient controls could result in the Group, and the Company, failing to deliver the expected outcomes for customers or value for shareholders.	Integration plans are developed and resourced with appropriately skilled staff to ensure target operating models are delivered in line with expectations. The Group's priority at all times is on delivering for its customers. Customer migrations are planned thoroughly with robust execution controls in place. Lessons learned from previous migrations are applied to future activity to continuously strengthen our processes.	The Group and the Company continues to develop its partnership with Tata Consultancy Services (TCS) to support its strategic deliverables. The successful migration of around 400,000 Standard Life Assurance customer policies to the TCS BaNCS platform was completed in May 2022. Further customer migrations are planned through to 2025, which will support delivery of the Group's strategic objectives. In August 2022 the Group announced the acquisition of Sun Life of Canada UK, a closed book UK life insurance company, from Sun Life Assurance Company of Canada. The acquisition is subject to regulatory approvals and is expected to complete in Q1 2023. Sun Life of Canada UK operates a predominantly outsourced business model with the majority of its policy administration already undertaken by the Group's strategic outsourcing partner (TCS Diligenta), which supports a simplified operational integration programme.

Strategic Risk – Climate Change/ESG

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 to Environmental, Social and Governance ('ESG') risks and delivering on its social purpose; for example, failing to meet its sustainability commitments. A failure to deliver could result in adverse customer outcomes, reduced colleague engagement, reduced proposition attractiveness and reputational risks. The Company is exposed to market risk and credit risk related to climate change as a result of the potential implications of a transition to a low carbon economy. A failure to manage these risks could results in a loss in the value of policyholder and shareholder assets. In addition, there are long-term market, credit, insurance, reputational, propositional and operational implications of physical risks resulting from climate change (e.g. the impact of physical risks on the prospects of current and future investment holdings, along with potential impacts on future actuarial assumptions).	Sustainability risk and Climate risk are both embedded into the Group's RMF. Its approach to climate risk management is in line with the requirements of the PRA's Supervisory Statement 3/19 (SS3/19). The Group publishes an annual Sustainability Report and an annual Climate Report, the latter of which is prepared in line with the Task Force on Climate-related Financial Disclosures ('TCFD') guidance. A Sustainability Risk Policy (which the Company adopts) is in place and updated annually. Consideration of material climate-related risks has been embedded into the Group risk policies, with regular reporting undertaken to ensure ongoing visibility of its exposure to these risks. The Group undertakes annual climate-related stress and scenario testing and continues to build its climate scenario modelling capabilities. The Group continues to evolve its sustainability strategy response to the changing needs of stakeholders and sets targets to monitor progress towards its sustainability commitments. Further details on the sustainability strategy are available in the Group's Sustainability Report. The Group continues to actively engage with regulators, suppliers and asset managers on progress with all climate change and sustainability-related deliverables.	The Group is committed to a 50% reduction in the carbon economic emissions intensity of all assets within its investment portfolio over which it has control and influence by 2030. The Group is also committed to a 25% reduction in the carbon economic emissions intensity of all listed equity and credit investments over which it has control and influence by 2025. The Group has been working with its key partners and suppliers to encourage them to adopt Science Based Targets initiative carbon reduction targets. A Net-Zero Transition Plan, which reflects potential future management actions and forward-looking investee company emission objectives, is in development. Round 2 of the Climate Biennial Exploratory Scenario exercise, launched by Bank of England, was completed during the year on a consolidated Group basis, including the Company. This explored the strategic responses to the three scenarios and the associated implications for business models. The Group is in the process of piloting the Task Force on Nature-related Financial Disclosures guidance ahead of the launch of the framework in 2023. The TCFD disclosures in the Group's Climate Report provide an overview of how it is compliant with SS3/19 and its planned future priorities across each of the TCFD focus areas.

Strategic Risk – Capacity & Capability to Deliver Change

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

Impact	**Mitigation**	**Events in the year**
The Company's ability to deliver change on time and within budget could be adversely impacted by insufficient resource and capabilities as well as inefficient prioritisation, scheduling and oversight of projects. The risk could materialise both within the Company and its strategic partners. This could result in the benefits of change not being realised by the Company in the timeframe assumed in its business plans and may result in the Group being unable to deliver its strategic objectives. Poor change delivery could affect the Company's ability to operate its core processes in a controlled and timely manner.	The Group's Change Management Framework defines a clear set of prioritisation criteria and scheduling principles for new projects. This is to support the safe and controlled mobilisation of new change in line with capacity and risk appetite and to strengthen business readiness processes to deliver change safely into the operational environment. Information setting out the current and forecast levels of resource supply and demand continues to be provided to accountable senior management to enable informed decision-making to take place. This aims to ensure that all material risks to project delivery are appropriately identified, assessed, managed, monitored and reported.	The Group and the Company have continued to manage a significant volume of change, consistent with 2021. The Group has strengthened its Change Management Framework (applicable to the Company) during 2022, with details of the Framework set out in the mitigation column. In September 2022 the Group appointed Jackie Noakes as Group Chief Transformation Officer and subsequently as Group Chief Operating Officer. These changes will drive further enhancements to evolve and mature the Group's change operating model

Market risk

6. Adverse market movements can impact the Group, and the Company's, ability to meet its cash flow targets, along with the potential to negatively impact customer sentiment

Impact	Mitigation	Events in the year
The Company and its customers are exposed to the implications of adverse market movements. This can impact the Company's capital, solvency and liquidity position, fees earned on assets held, the certainty and timing of future cash flows and long-term investment performance for shareholders and customers. There are a number of drivers for market movements including government and central bank policies, geopolitical events, market sentiment, sector specific sentiment, global pandemics and financial risks of climate change, including risks from the transition to a low carbon economy.	The Company undertakes regular monitoring activities in relation to market risk exposure, including limits in each asset class, cash flow forecasting and stress and scenario testing. The Company continues to implement de-risking strategies and control enhancements to mitigate unwanted customer and shareholder outcomes from certain market movements such as equities, interest rates, inflation and foreign currencies. The Group maintains cash buffers in its holding companies and has access to a credit facility to reduce reliance on emerging cash flows.	There remains significant uncertainty around the economic recovery from COVID-19, geopolitical tensions and interest rates. The global macro-economic environment remains highly uncertain, as it has throughout 2022. The Ukraine conflict and rapid increase in inflation have increased market volatility throughout 2022, with recession expected throughout Europe and possibly the wider world. The longer-term impacts of the conflict have affected the cost and availability of food and vital commodities such as oil and gas, driving inflationary pressures. Inflation is considered a material short to medium-term risk. Pressures continue and the UK Consumer Price Index hit 11.1% in October 2022, ending the year at 10.5%, before retreating slightly to 10.1% in January 2023. Bank of England base rate has increased from 0.1% at December 2021 to 4% in February 2023, with further rises expected during 2023. Higher interest rates, coupled with cost of living rises, are likely to suppress property prices over the coming year. The UK mini-budget added further pressure to yield rises, squeezing liquidity throughout the long-term savings sector. The tax increases and government spending cuts announced in the Chancellor's Autumn statement helped to stabilise markets but have the potential to worsen customer sentiment, which may deepen the expected recession in the UK and affect the ability of households to save. The Group, including the Company, continues to monitor and manage its market risk exposures, including to interest rates and inflation, and to markets affected by the conflict in Ukraine. The Company's strategy continues to involve hedging the major market risks and in 2022 the Group's Stress and Scenario Testing Programme continued to demonstrate the resilience of its balance sheet to market stresses. Contingency actions remain available to help manage the Group's capital and liquidity position in the event of unanticipated market movements such as those following the mini-budget.

Insurance risk

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

Impact	Mitigation	Events in the year
The Company has guaranteed liabilities, annuities and other policies that are sensitive to future longevity, persistency and mortality rates. For example, if annuity policyholders live for longer than expected, then the Company will need to pay their benefits for longer. The amount of additional capital required to meet additional liabilities could have a material adverse impact on the Company's ability to meet its cash flow targets.	The Company undertakes regular reviews of experience and annuitant survival checks to identify any trends or variances in assumptions. The Company regularly reviews assumptions to reflect the continued trend of reductions in future mortality improvements. The Company continues to manage its longevity risk exposures, which includes the use of longevity swaps and reinsurance contracts to maintain this risk within appetite. The Company actively monitors persistency risk metrics and exposures against appetite. Where required, the Company continues to take capital management actions to mitigate adverse demographic experience.	Demographic experience and the latest views on future trends continue to be considered in regular assumption reviews although, for most products, experience over the COVID-19 pandemic has still been given little weight given its anomalous nature. The Company is actively monitoring customer behaviour as a result of the cost of living crisis; this includes the impacts that any change in behaviour could have on demographic assumptions. As noted elsewhere in this section, work is underway to ensure support is provided to customers as the impacts from the cost of living crisis continue to materialise.

Credit Risk

8. 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, derivatives or banking counterparties. This could cause immediate financial loss or a reduction in future profits. The Company is also exposed to trading counterparties, such as reinsurers or service providers failing to meet all or part of their obligations. This would negatively impact the Company's operations which may in turn have adverse effects on customer relationships and may lead to financial loss.	The Company regularly monitors its counterparty exposures and has specific limits relating to individual counterparties (with sub-limits for each credit risk exposure), sector concentration and geography. The Company undertakes regular stress and scenario testing of the credit portfolio. Where possible, exposures are diversified through the use of a range of counterparty providers. All material reinsurance and derivative positions are appropriately collateralised. The Company regularly discusses market outlook with its asset managers in addition to the oversight provided by Group Risk. For mitigation of risks associated with stock-lending, additional protection is provided through collateral and indemnity insurance.	Over 2022 the Group, including the Company, has continued to undertake actions to increase the overall credit quality of its portfolio and mitigate the impact on risk capital of future downgrades. Furthermore, the Group and the Company has enhanced its counterparty concentration limits framework to better manage counterparty failure risk. This positive progress and the easing of the economic and social impacts of COVID-19, are balanced by risks arising from the Ukraine conflict and UK Government policy. Uncertainties over the global economic outlook and high inflation present an increased risk of downgrades and defaults. In addition, a UK sovereign downgrade which is now more probable would have a negative impact on UK related assets including Gilts, Housing Associations and Local Authority Loans. The Company has no direct shareholder credit exposure to Russia or Ukraine and no exposure to sanctioned entities.

Customer Risk

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

Impact	Mitigation	Events in the year
The Company is exposed to the risk that it fails to deliver fair outcomes for its customers, leading to adverse customer experience and potential customer detriment. This could also lead to reputational damage for the Company and/or financial losses. In addition a failure to deliver propositions that meet the evolving needs of customers may result in the Company's failure to deliver its purpose of helping people secure a life of possibilities.	The Group's Conduct Risk Appetite, applicable to the Company, sets the boundaries within which the Group expects customer outcomes to be managed. The Group Conduct Risk Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where the Group and the Company's customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions. The Group, including the Company, has a suite of customer policies which set out key customer risks and controls in place to mitigate them. The Company maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes. The Company's Proposition Development Process ensures consideration of customer needs and conduct risk when developing propositions.	The Group, including the Company, is preparing for the introduction of the FCA's Consumer Duty requirements which set higher and clearer standards of consumer protection across financial services and require firms to prioritise their customers' needs. The Consumer Duty initial implementation plan has been agreed by the Company's Board. The Company is monitoring the impacts of the cost of living crisis on its customers, using customer behaviour research and analysis, to ensure that it provides them with the support and help that they need during this period of economic uncertainty. The Company continues to provide support to customers both when paying out on their protection plans and when making decisions about their life savings. Proactive action to support customers, including those most vulnerable, is a priority.

Operational Risk - Regulatory, legislative or political

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

Impact	Mitigation	Events in the year
Changes in regulation could lead to non-compliance with new requirements that could impact the quality of its customer outcomes, lead to regulatory sanction, impact the financial performance or cause reputational damage. These could require changes to working practices and have an adverse impact on resources and financial performance. Political uncertainty or changes in the government could see changes in policy that could impact the industry in which we operate.	The Company undertakes proactive horizon scanning to understand potential changes to the regulatory and legislative landscape. This allows the Company to understand the potential impact of these changes to amend working practices to meet the new requirements by the deadline.	The volatile political environment following the UK Government's 'mini-budget' has stabilised with the election of Rishi Sunak as Prime Minister, but concerns remains due to the economic headwinds facing the new administration and the implications for the Company's customer base, including the cost of living, energy crisis and the potential increase in vulnerability. In November 2022, HM Treasury issued a consultation response that confirmed the UK Government's intended Solvency II reforms. The Group supports the PRA and HM Treasury's objectives to reform the regulations to better suit the UK market whilst maintaining the right safeguards for policyholders. These regulations are an important component of the changes needed to the wider UK investment landscape which will enable the Group to meet its ambition to invest more in the future. However, uncertainty remains over when the reforms will be implemented and the quantitative impacts will depend on the exact detail of the final legislation. The Group will therefore remain actively involved in industry lobbying on Solvency II. The FCA's proposed new Consumer Duty's objectives are to deliver a higher and more consistent level of consumer protection and for the industry to do more to foresee and prevent harm before it happens. In July 2022, the FCA published final rules and guidance, the impact of which the Group has assessed. As part of the Company's implementation plan, key priorities have been identified that must be addressed to ensure compliance with the Consumer Duty requirements within the relevant timescales. This plan has been approved by the Company Board and shared with the FCA. IFRS 17 aims to standardise insurance accounting across the industry. Compliance with IFRS 17 is a significant undertaking and a complex programme of work to deliver the Group's 2023 interim report is ongoing and reliant on the successful completion of significant workstreams across the Group. The Group expects to continue its finance transformation programme beyond delivery of the 2023 interim report to further streamline and automate IFRS 17 processes to support efficient financial reporting in future. Following the UK's Supreme Court judgement in November 2022 not to allow the Scottish Government to call a referendum without consent from Westminster and the decision of Nicola Sturgeon to resign as Scotland's First Minister and leader of the Scottish National Party, the Group continues to keep a watching brief on how this progresses. As it is not yet clear what impact the death of Her Majesty Queen Elizabeth II and the succession of His Majesty King Charles III will have on public sentiment to the Union, the risk remains under review in the Emerging Risk and Opportunities Framework.

Operational Risk – Diverse and engaged workforce

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

Impact	Mitigation	Events in the year
Delivery of the Company's strategy is dependent on a talented, diverse and engaged workforce. This risk is inherent in the Company's business model given the nature of acquisition activity and specialist skillsets. Potential areas of uncertainty include: the ongoing transition of ReAssure businesses into the Group, the expanded strategic partnership with TCS and the introduction of the flexible working model. Periods of prolonged uncertainty can result in a loss of critical corporate knowledge, unplanned departures of key individuals or the failure to attract individuals with the appropriate skills to help deliver our strategy. This could ultimately impact the Company's operational capability, its customer relationship and financial performance.	The Group aims to attract and retain colleagues, building a sense of belonging by providing timely communications to colleagues aim to provide clarity around corporate activities, including details of key milestones to deliver against our plans. The Company regularly benchmarks terms and conditions against the market, and maintains dynamic succession plans for key individuals, ensuring successors bring appropriate diversity of thought, capability and experience. Every six months, the Group's CEO and HR Director meet with the Executive Committee to discuss talent, succession and diversity. Monthly colleague surveys help to improve engagement whilst promoting continuous listening and rapid identification of concerns and actions. The Company continues to actively manage operational capacity required to deliver the Company's strategy with ongoing focus on senior bandwidth, attrition and sickness. Flexible working offers colleagues greater flexibility in their working practices. The Company looks to proactively respond to external social, economic and marketplace events that impact colleagues.	Strong engagement scores in colleague surveys have continued in 2022, although there remains uncertainty regarding the longer term impacts of the pandemic and cost of living crisis on colleague attrition, sickness, motivation and engagement. Skills essential to the Company continue to be in high-demand in the wider marketplace and recruitment and retention still has the potential to be impacted by post-Brexit, COVID-19 and inflationary factors. The Company monitors this closely but continues to remain confident in the attractiveness of its colleague proposition. The Group, and the Company, are exploring ways to enhance the use of apprenticeships including Kick Start apprenticeships to broaden workforce diversity, fill key skills, creating bespoke graduate and early careers programmes for specialist technical areas. The Group, and the Company, continue to successfully operate a flexible working model, with strategic investments in technology and other resources maximising its effectiveness. The model focuses on empowerment by enabling leaders and colleagues to agree working arrangements which meet individual, team and business needs. The increased scale and presence of the Group, and success in multi-site and remote working, gives greater access to a larger talent pool to attract in the future.

Operational Risk – Operational Resilience

12. The Group, including the Company, or its outsourcers are not sufficiently operationally resilient

Impact

The Company is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption to core IT systems and operations. This could occur either within the Company, Group or those of our primary and downstream outsourcers and include a range of environmental and climatic factors.

The Company conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes.

Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group and the Company is exposed to regulatory censure now in the event of operational disruption should the Regulator determine that the cause was a breach of existing regulation.

Mitigation

The Group's Operational Resilience Framework, which applies to the Company, enhances the protection of customers and stakeholders, preventing intolerable harm and supports compliance with the regulations. The Company works closely with its outsourcers to ensure that the level of resilience delivered is aligned to the Company's impact tolerances.

The Company and its outsourcers have well established business continuity management and disaster recovery frameworks that are subject to an annual refresh and regular testing. For example, extensive testing of the power capabilities of the Company and its critical suppliers has shown they are resilient to power cuts from the National Grid.

The Company continues to actively manage operational capacity and monitor service continuity required to deliver its strategy, including transition activities. Rigorous planning and stress testing is in place to identify and develop pre-emptive management strategies should services be impacted as a result of customer migrations.

The Company and its outsourcer's have a flexible working model in place. This significantly reduces exposure to intolerable disruption for its customers.

Events in the year

The Company has a significant change and customer migration agenda, effective completion of which is required to deliver planned strengthening of its operational resilience both internally and with some outsourced service providers.

The Group, including the Company, has a programme of work to strengthen operational resilience ahead of the next key regulatory deadline of March 2025. Where this is dependent upon customer migration to an alternative administration platform, the risk of late delivery is actively managed by both the relevant change programme and separate operational resilience remediation governance and reporting.

As noted in the Company's 2021 financial statements, whilst many potential exposures to COVID-19 can now be effectively mitigated, a large-scale loss of colleagues due to illness or incapacity, in the UK or globally, is more challenging to resolve in the short-term as there remains uncertainty around the efficacy of vaccines against future COVID-19 variants.

The Company aims to deliver considerable customer transformation activity in 2023. Although the scale of change exposes the Company to significant risk, this is mitigated through strengthened Resilience and Change Management Frameworks.

Operational Risk – Cyber Resilience

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

Impact

As the Group continues to grow in size and profile this could lead to increased interest from cyber criminals and a greater risk of cyber-attack which could have significant impact on customer outcomes, strategic objectives, regulatory obligations and Group or the Company's reputation and brand.

Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes the Group and the Company to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise.

Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security.

Mitigation

The Company is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review.

The Information/Cyber Security Strategy includes a continuous Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and external threat intelligence sources.

The Company continues to consolidate its cyber security tools and capabilities. The specialist Information Security & Cyber Risk team in Group Risk provides independent oversight and challenge of information security controls; identifying trends, internal and external threats and advising on appropriate mitigation solutions.

The Company continues to enhance and strengthen its outsources service provider and third party oversight and assurance process. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group.

Events in the year

The ongoing conflict in Ukraine has resulted in increased cyber threat levels and the increased likelihood of a cyber-attack from a State actor; this would most likely be against the UK's Critical National Infrastructure, particularly on supply chains and the wider Financial Services industry which the Company relies upon. The Group, including the Company, has improved its Threat Intelligence capabilities in 2022 and monitors National Cyber Security Centre guidance and other threat intelligence sources on a daily basis. To date, the Group and the Company has not seen a material increase in cyber-attacks since the conflict started.

The Group's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; although the Group'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. Having strengthened and consolidated its cyber controls, including in areas such as Vulnerability and Patch Management, Detect and Respond and infrastructure scanning capabilities in the first half of 2022, the main improvement in the second half has been on strengthening the Supply Chain Security Oversight and Assurance framework. New Cyber Bandings, Processes and Controls have been implemented and will continue to be embedded and matured in 2023.

Following a Final Stage Assessment in late June 2022 and recommendation by the British Standards Institution (BSI), Phoenix Group now holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes.

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

20 March 2023

Directors' report

The Company is incorporated in Scotland. Its registration number is SC286833 and its registered office is Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.

Corporate governance

The corporate governance guidelines followed are the PRA's twelve aspects of governance for PRA-regulated firms as noted in their Supervisory Statement SS5/16.

In 2016, the PRA set out principles as to how a 'PRA-regulated firm' such as the Company should govern itself when it is not a listed company and is, therefore, not caught within the remit of the UK Corporate Governance Code (the "Code").

Within the guidelines, 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 the Company with a framework which ensures the ability for the Board to adhere to and demonstrate compliance with all twelve aspects of governance as noted below.

This framework is assessed, reviewed and challenged by the Board on at least an annual basis with evidence focusing on the following points. 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 in June for the Board to debate and challenge the strategy for the Company and input to the overall Group strategy debate. 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 so as 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 Group's Sustainability Strategy; repricing for Active Money Personal Pension and Retail Self-Invested Personal Pension products; acquisition of a closed book of business; and approval of the strategy for and management of vulnerable customers.
Culture of risk awareness and ethical behaviour	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, 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), as well their respective salary and remuneration packages. 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 in advance of their consideration by the Phoenix Group Holdings plc Remuneration Committee.

Aspect of Governance	Demonstrated by
Risk appetite, risk management and internal controls	As noted above, the 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 Chairman 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	In 2022, two new Non-Executive Directors were appointed, with Rosemary Harris and Timothy Harris joining the Board on 1 January 2022 and 1 May 2022 respectively. Non-Executive Director, Stephen Clarke, retired on 1 October 2022. As part of evolving the Company's operating model, Andrew Briggs, Peter Mayes and Rakesh Thakrar were appointed as Executive Directors on 1 October 2022. On the same date Michael Eakins, Andrew Moss and Jonathan Pears stood down as Executive Directors. As a result of these changes, the Board comprises 6 Non-Executive Directors (including the Chairman) and there continues to be 5 Executive Directors. There is a division of responsibility between the Non-Executive Chairman, 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.

Aspect of Governance	Demonstrated by
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 2022, the Board received deep dives on the following topics: - People – reward - Phoenix Insights - Cyber update - Operational resilience - Group brand - Data Protection - Quality of capital - Solvency II reform - Outsourcers - Financial Wellness - Customer calls - Culture - Illiquidity risk appetite framework - Net Zero Transition Plan - Individual Annuities - Reinsurance - Risk Management Framework (control and risk policy structure)
Board time and resource	The Board met for 10 scheduled Board meetings in 2022 either in person or via video conference. A further four out of cycle meetings were held to consider a decision to migrate annuity customer records to a platform operated by an existing outsourced service provider, to approve the acquisition of a closed book business and to review the Annual Operating Plan. 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. Should a Non-Executive Director be considering an additional external commitment, this is reviewed by the 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	The Chief Executive presents an update on the Company at least on a quarterly basis which includes a global review of the strategic objectives and associated performance to include Customer Treatment, Customer Complaints, Financial and Operational Capacity MI. The appointment of the Group Chief Executive as Chief Executive of the Company in October 2022 (subject to regulatory approval) has 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 with the Non-Executive Directors during which more informal discussions on succession planning may take place. During 2022 the Board considered succession planning matters in relation to the role of Life Companies Audit Committee Chair. A skills audit exercise was undertaken during the year to support long term succession planning. The Board formally approved an updated version of the Board Succession Plan in December 2022.
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

Aspect of Governance	Demonstrated by
	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. Since 1 October 2022, the Group Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are 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.
Board Committees	The terms of reference of the committees of the Boards of the regulated Life Companies 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 40 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 39 and 40 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

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

Solvency scenarios considered include the best estimate view of future economic developments (base) and a downside scenario. These were applied to 5 year projections, with the downside scenario reflecting the impacts of market disruption in the current financial year and assuming a stress period with a duration of one year from September 2022, followed by projected recovery to 2027. The projections use the below stress calibrations:

- No stress, plus 1-in- 10 sensitivities up/down on UK Swaps- 10 yr
- No stress, plus sensitivities up/down on Euro Swaps- 10 yr
- 15 bps increase in Gilts spread rise
- 50 bps increase in Credit- A rated 15 yr
- Short term spike (2.5%) in RPI inflation- 10 yr
- EUR 5% down vs GBP on Exchange GBP vs Euro
- USD 5% up vs GBP on Exchange GBP vs USD
- Inclusion of UK Sovereign Downgrade
- Further c£4.2bn in Downgrades over 2022/23
- 15% reduction in FTSE 100
- 8% reduction in Residential Property
- 15% reduction in Commercial Property

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

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

The impact of market volatility in the latter part of the year ended 31 December 2022 and its potential impacts on CMP was considered specifically, with the conclusion reached that the Company's existing CMP calibrations remained robust and appropriate and no amendments were required.

Contingency actions to recover from downside risks are identified in detail, including timescales required, the challenges associated with each action, and the trigger for when each action should be considered.

The Company is anticipated to be able to meet headroom of liquid assets over projected cash flows including internally imposed liquidity buffers under base conditions, and also under a combined 1 in 200 stress scenario, supporting cash generation in the going concern period assessed up to 30 June 2024. Contingency actions can be taken to achieve this if required. Liquidity is considered to be adequate to meet liabilities as they fall due.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 30 June 2024. 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	
A D Briggs	(appointed 1 October 2022)
S A Clarke	(resigned 1 October 2022)
A Curran	
M J Eakins	(resigned 1 October 2022)
R Harris	(appointed 1 January 2022)
T W Harris	(appointed 1 May 2022)
M G Hassall	
J R Lister	(Chairman)
P K Mayes	(appointed 1 October 2022)
B M Meaney	
A Moss	(resigned 1 October 2022)
J R Pears	(resigned 1 October 2022)
N H Poyntz-Wright	
R K Thakrar	(appointed 1 October 2022)

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

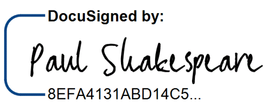
Matters disclosed in strategic report
The strategic report covers future developments and any dividends paid.

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.

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

On behalf of the Board



P Shakespeare
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary
20 March 2023

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 the law the Directors have elected to prepare those statements in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with UK adopted international accounting standards requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

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

- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards 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 adopted internal accounting standards, subject to any material departures disclosed and explained in the financial statements; and

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD LIFE ASSURANCE LIMITED

Opinion

We have audited the financial statements of Standard Life Assurance Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows, and the related notes 1 to 44, (except for that element of note 39, which is marked as unaudited) including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- confirming our understanding of the directors' going concern assessment process and obtained the assessment which covers the period to 30 June 2024;
- with support from our actuarial team, challenging the key actuarial assumptions used in management's five-year Annual Operating Plan ('AOP'). We have observed that the five-year AOP form the basis for management's going concern projections;
- assessing the accuracy of management's going concern analysis by testing the inputs and the clerical accuracy of the models used;
- assessing management's consideration of how solvency and liquidity has been managed in response to the current economic environment and evaluating the liquidity and solvency position of the Company by reviewing the base case and downside liquidity and solvency projections that incorporate an estimated view of the potential future economic downturn;
- challenging the key assumptions, and plausibility of management actions used in management's downside scenarios to mitigate the impact of the key risks by considering the success of previous similar management actions and the robustness of the plans in the context of our understanding of the Company:
- evaluating management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom;
- assessing management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and their impact on the going concern assessment;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed management's assessment was approved by the Board, minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

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

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 to 30 June 2024.

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

Overview of our audit approach

Key audit matters	• Valuation of Insurance Contract Liabilities, comprising the following risk areas: o Actuarial assumptions; o Actuarial modelling; and o Policyholder data • Valuation of fair value hierarchy 3 ('FVH3') modelled debt securities
Materiality	• Overall materiality of £15.6m (2021: £16.7m) which represents 2% of closing net assets (2021: opening net assets).

An overview of the scope of our audit

Tailoring the scope

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

We instructed:

- the Central Investments component team to audit investment balances and associate income and expenses;
- the Standard Life International Designated Activity Company ("SLIDAC") component team to audit the SLIDAC gross premiums written, policyholder claims, acquisition costs and reinsurance payables. These balances, reported within the financial information of SLIDAC are included within the financial information of the Company as a result of a reinsurance agreement between the entities; and
- the Service Company's component team to perform specified procedures with respect to expenses and the recharge to the Company. The Company records recharges from Standard Life Asset and Employee Services ("SLAESL") within operating expenses and certain baseline expenses that form part of the assumption setting process for insurance contract liabilities recognised by the Company.

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

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

Component	Scope	Auditor
Standard Life Assurance Limited	Full	Primary team
Central Investments Component Team	Specific scope	EY component team
Standard Life International Designated Activity Company Component Team ("SLIDAC")	Specific scope	EY component team
Service Company Component team	Specified procedures	EY component team

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

Involvement with component teams

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

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

Audit procedures were performed on the full scope component by the primary audit team whilst the remaining three components were audited by the EY component audit teams. We determined that appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Company financial statements as a whole.

We followed a programme of planned virtual meetings and maintained oversight of component teams through remote collaboration platforms and regular meetings. We reviewed the audit procedures performed by the component team on the specific accounts.

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Company. The Company has explained the most significant risks from climate change on its operations in the principal risks and uncertainties section of the strategic report. This forms part of the “Other information” rather than the audited financial statements and our procedures on the disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the critical accounting estimates and judgements note on page 46 management has assessed climate change risks as having a limited effect on accounting judgements and estimates for the current period. The note sets out the Company’s consideration of the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities.

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

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

Key audit matters

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

Risk

Valuation of insurance contract liabilities (£33.3 billion; 2021: £42.3 billion)

Refer to Note 2 Accounting policies (a) Critical accounting estimates and judgements (r) Insurance contracts and investment contracts with DPF, and Note 31 Liabilities under insurance contracts of the financial statements

We considered the valuation of insurance contract liabilities to be a significant risk for the Company. Specifically, we considered the actuarial assumptions and modelling that are applied, as these involve complex and significant judgments about future events both internal and external to the business for which small changes can result in a material impact to the resultant valuation. Additionally, the valuation process is reliant upon the accuracy and completeness of the data.

We have split the risks relating to the valuation of insurance contract liabilities into the following component parts:

- actuarial assumptions;
- actuarial modelling; and
- policyholder data.

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

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Actuarial assumptions *There has been no change in our assessment of this risk from the prior year.* Economic assumptions are set by management taking into account market conditions as at the valuation date and require minimal judgment. Non-economic assumptions are set based on the Company's past experience, market experience and practice, regulations and expectations about future trends. The assumptions that we consider to have the most significant impact are the base and trend longevity, assured mortality and expenses. Given the recent economic volatility we place additional focus on future economic assumptions such as inflation assumptions at the 2022 year-end date. These assumptions are used as key inputs into the valuation models, which use standard actuarial methodologies.	To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, using EY actuaries as part of our audit team, we performed the following procedures: • obtained an understanding and tested the design and operating effectiveness of key controls over management's process for setting and updating key actuarial assumptions; • challenged and assessed whether the methodology and assumptions applied were appropriate based on our knowledge of the Company, industry standards and regulatory and financial reporting requirements; • reviewed and challenged the results of management's experience analysis, including the base longevity and assured mortality, to assess whether these analyses justified the adopted assumptions; • challenged and assessed management's decisions on the inclusion or exclusion of data relating to COVID-19 when setting individual assumptions, including longevity and mortality; • in respect of longevity improvements, we evaluated the results of management's analysis on longevity trend, challenged the judgments applied by management in setting the parameters and benchmarked the output against other industry participants and the results from the industry standard Continuous Mortality Investigation ('CMI'); • assessed the expense assumptions adopted by management considering an impact of the recent economic volatility on the components of expenses inflation. Our focus has been on the change in the nature of the cost base arising through the volumes of new insurance business written. We have challenged the assumed development of expenses including inflation across the AOP period, the allocation of those expenses between acquisition and	We determined that the actuarial assumptions used by management are reasonable based on the analysis of the experience to date, industry practice and the financial and regulatory requirements. We concluded the economic and non-economic assumptions have been appropriately included within the year-end actuarial models.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	maintenance and the resulting calculation of unit costs, as well as the inclusion of benefits arising from planned future management actions; • performed procedures to test that the assumptions used in the year end valuation were consistent with the approved basis; and • benchmarked the demographic and economic assumptions, against those of other comparable industry participants.	
Actuarial modelling *Our assessment of this risk has decreased following the migration to the new core actuarial model in the prior year.* We consider the integrity and appropriateness of models to be critical to the overall valuation of insurance contract liabilities. Over £32.6 billion of the £33.3 billion (2021: over £26.7 billion of £42.3 billion) insurance contract liabilities are modelled using the core actuarial modelling system, with the residual balance modelled outside these systems to cater for any additional required liabilities not reflected in the models. We consider the key risks to relate to i) model developments applied to the core actuarial model and ii) the appropriateness of the calculations that are applied outside of the core actuarial models.	To obtain sufficient audit evidence to conclude on core actuarial modelling systems and balances calculated outside these systems, using EY actuaries as part of our audit team we performed the following procedures: • obtained an understanding of management's process for model changes to the core actuarial system and tested the design, implementation and operating effectiveness of key controls, including governance processes, over that process; • tested the system infrastructure and IT general controls of the core actuarial model; • challenged and evaluated the methodology, inputs and assumptions applied model changes in the core actuarial modelling systems over the year; • reviewed the governance process around model changes by review of the relevant committee minutes; • assessed the results of management's analysis of movements in insurance contract liabilities to corroborate that the actual impact of changes to models was consistent with that expected when the model change was implemented; and • stratified the components of the balance modelled outside the core actuarial system as at the balance sheet date and focused our testing on those that, in our professional judgment, present a higher risk of material misstatement. As part of the testing, we gained an understanding of the rationale for balances calculated outside of the core actuarial system and assessed the appropriateness of the applied calculation methodology. In addition, we also perform an independent valuation of a sample of insurance contract liabilities which are modelled outside the core actuarial system.	We determined that the models used are appropriate, that changes to the models were implemented as intended, and that controls over management's processes for modelling insurance contract liabilities using the core actuarial modelling systems were operating effectively. We also determined that liabilities modelled outside these core actuarial modelling systems are not materially misstated.

Risk	**Our response to the risk**	**Key observations communicated to the audit committee**
Policyholder Data *There has been no change in our assessment of this risk from the prior year.* The insurance contract data held on policy administration systems ('the policyholder data') is a key input into the valuation process. The valuation of insurance contract liabilities is therefore reliant upon the accuracy and completeness of the data used.	To obtain sufficient audit evidence to assess the integrity of policyholder data we performed the following procedures: • obtained an understanding of the design of key controls, including information technology general controls, over management's data collection, extraction and validation process; • for Outsourced Service Providers ('OSP') where we have placed reliance on the ISAE 3402 Service Organisation Controls ('SOC') report, we have reviewed the ISAE 3402 SOC report and bridging letter where relevant to determine the impact of any identified control exceptions; • confirmed that the actuarial data extracted from policy administration systems and those provided by the OSPs were those used as an input to the actuarial model; • assessed the appropriateness of management's grouping of data for input into the actuarial model; • through the use of our data visualisation and analytics techniques, performed focussed substantive testing over the completeness and accuracy of the policyholder data and the appropriateness of management's data cleansing rules; and • performed the comparison of policy level data between data in the actuarial models and that contained within the policy administration systems. We evaluated the accuracy of policyholder data by agreeing a sample back to the policyholder documents.	We determined based on our audit work that the policyholder data used for the actuarial model inputs is materially complete and accurate.

Valuation of fair value hierarchy 3 ('FVH3') modelled debt securities in non-profit or shareholder funds (£0.9 billion; 2021 £1.4 billion)

Refer to Note 2 Accounting policies (a) Critical accounting estimates and judgements and (l) Financial assets and Note 22 of the financial statements.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
There has been no change in our assessment of this risk from the prior year. We have deemed the risk to relate to FVH3 modelled debt securities, such as private placements, local authority loans and infrastructure loans where the valuation relates to	To obtain sufficient audit evidence to conclude on the valuation of FVH3 modelled debt securities, we: • reviewed the ISAE 3402 SOC report of the OSP covering period to 30 September 2022, including those controls over the valuation of FVH3 modelled debt securities outsourced to the third party, and determined the impact of any identified control exceptions;	Based on the procedures performed we are satisfied that the valuation of FVH3 modelled debt securities in the non-profit and shareholder funds is not materially misstated.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
assets in non-profit or shareholder funds. We consider that the key risks related to FVH3 valuation of modelled debt securities to be the (i) use of complex valuation methodologies in absence of observable prices; (ii) significant judgements involved in setting the spread above risk-free rates; (iii) the subjectivity surrounding the selection of the comparable bonds to derive that spread and (iv) reasonableness of credit ratings. Additionally, the valuation of these modelled debt securities for the Company has been outsourced by the Company's OSP to a separate third party which increases the risk of valuation error due to potential limitation of management's oversight over the valuation processes for these financial investments.	• obtained the bridging letter for the period 1 October 2022 to 31 December 2022 to confirm that the controls over the valuation of FVH3 modelled debt securities were operating effectively during the period; • inspected evidence of the operation of management's oversight controls over the OSPs; • understood the valuation process of FVH3 modelled debt securities that was outsourced by the Company's OSP to a separate third party and assessed the appropriateness of any methodology and assumption changes during the year, including an impact of the current economic volatility on economic assumptions. • engaged EY valuation specialists to evaluate the appropriateness of the valuation methodology and to calculate an independent range of reasonable values for a sample of modelled debt securities using an independent valuation model and considered reasonable alternative key assumptions based on comparable securities; • validated the accuracy of security related inputs to the valuations of modelled debt securities by tracing a sample of inputs to the underlying agreements and documentation; • performed independent calibration on securities by reviewing the implied rate and sector credit spreads to validate the reasonableness of credit ratings used in the comparable values assessment; and • considered the downgrade of credit ratings or changes of spread in management's credit watchlist and known market risks in our independent comparable values assessment;	

Our application of materiality

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

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

We determined materiality for the Company to be £15.6m (2021: £16.7m), which is 2% (2021: 2%) of closing net assets (2021: opening net assets). The primary stakeholders of the Company are its shareholders (primarily concerned with capital surplus as a means of the Company providing cash to the parent company), the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') as regulators (primarily focused on balance sheet strength and solvency), and policyholders (whose main interest is solvency as it reflects the ability to pay claims). Given the focus of these stakeholders, we have determined net assets as the most appropriate basis for setting materiality. Net assets correlates with one of the Company's Key Performance Indicators, Capital Resources, albeit these are non-GAAP measures (refer to page 4).

During the course of our audit, we reassessed initial materiality of £13.8m which was based on forecast net assets. We increased our materiality to £15.6m to reflect the final net assets as at 31 December 2022. We considered the impact of this on the extent of our audit procedures.

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our materiality, namely £7.8m (2021: £8.4m). We have set performance materiality at this percentage based on our assessment of the risk of misstatement.

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.8m (2021: £0.8m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the relevant direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the PRA and the FCA.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and its Committees; and gained an understanding of the Company's approach to governance, demonstrated by the Board's review of the Company's risk management framework ('RMF') and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. Our procedures over the Company's control environment included assessment of the consistency of operations and controls in place within the Company and the OSPs as they continued to operate hybrid working throughout 2022.
- The fraud risk was considered to be higher within the valuation of insurance contract liabilities. We considered management override risk to be higher in this area due to the significant judgments and estimates involved.

  Our procedures, including those as detailed in the key audit matters above included:

  - Reviewing accounting estimates for evidence of management bias. Supported by our actuarial team and specialists, we assessed if there were any indicators of management bias in the valuation of insurance contract liabilities;
  - Testing the appropriateness of journal entries recorded in the general ledger, with a focus on non routine revenue manual journals; and
  - Evaluating the business rationale for significant and/or unusual transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the PRA and FCA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 31 August 2018 to audit the financial the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 31 December 2018 to 31 December 2022.

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

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

Use of our report

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

DocuSigned by:

Ernst & Young LLP

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Neeta Ramudaram (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2023

Statement of comprehensive income
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Gross premiums written	31	891	948
Less: premiums ceded to reinsurers	31	(12)	(13)
Net premiums written		879	935
Fees and commissions	6	449	447
Total revenue, net of reinsurance payable		1,328	1,382
Net investment income	7	(15,741)	9,642
Other operating income		41	1
Net income		(14,372)	11,025
Policyholder claims	31	(2,933)	(2,976)
Less: reinsurance recoveries	31	359	376
Change in insurance contract liabilities		9,726	2,068
Change in reinsurers' share of insurance contract liabilities		(716)	(511)
Transfer from unallocated surplus	32	8	173
Net policyholder claims and benefits incurred		6,444	(870)
Change in investment contract liabilities		8,584	(9,627)
Change in reinsurers' share of investment contract liabilities		(371)	115
Amortisation	14	(4)	(10)
Impairment of subsidiary	17	(10)	-
Net income under arrangements with reinsurers	8	431	27
Other operating expenses	9	(585)	(548)
Total operating expenses		14,489	(10,913)
Profit before finance costs and tax		117	112
Finance costs		(9)	(1)
Profit for the year before tax		108	111
Tax (charge) / credit attributable to policyholders' returns	11	121	(70)
Profit before tax attributable to owners	5	229	41
Tax (charge) / credit	11	90	(75)
Less: tax attributable to policyholders' returns	11	(121)	70
Tax (charge) attributable to owners	11	(31)	(5)
Profit for the year attributable to owners from continuing operations		195	48
Profit for the year after tax attributable to owners from discontinued operations	4	3	(12)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		9	(9)
Total comprehensive income for the year attributable to owners		207	27

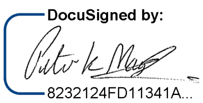
Statement of financial position - assets
as at 31 December 2022

	Notes	As at 31 December 2022 £m	As at 31 December 2021 £m
ASSETS			
Intangible assets	14	-	4
Property, plant and equipment	15	8	8
Investment property	16	1,515	2,552
Subsidiaries held for strategic purposes	17	4	14
Financial assets			
Loans and deposits	18	510	500
Derivatives	19	2,035	2,466
Equities		2,592	3,841
Debt securities		13,531	18,273
Subsidiaries held for investment purposes	20	69,086	67,434
Collective investment schemes		23,953	34,935
Reinsurers' share of investment contract liabilities		2,751	3,210
	21	114,458	130,659
Deferred tax assets	24	5	-
Insurance assets			
Reinsurers' share of insurance contract liabilities	31	2,327	3,044
Reinsurance receivables		3	1
Insurance contract receivables		1	2
		2,331	3,047
Assets held for sale	4	8,321	11,687
Current tax receivable	24	182	199
Deferred acquisition costs	25	221	242
Prepayments and accrued income	26	59	68
Other receivables	27	1,171	647
Cash and cash equivalents	28	683	932
Total assets		128,958	150,059

Statement of financial position – equity and liabilities
as at 31 December 2022

	Notes	As at 31 December 2022 £m	As at 31 December 2021 £m
Equity attributable to owners of the parent			
Share capital	29	30	30
Share premium		118	118
Other reserves	30	554	545
Retained earnings		76	173
Total equity		778	866
Liabilities			
Insurance contract liabilities			
Liabilities under insurance contracts	31	33,260	42,294
Unallocated surplus	32	293	380
		33,553	42,674
Financial liabilities			
Investment contracts		80,587	88,055
Deposits received from reinsurers		2,331	3,196
Derivatives	19	1,594	448
Other financial liabilities	33	1,203	2,373
		85,715	94,072
Provisions	34	43	36
Deferred tax liabilities	24	28	155
Liabilities held for sale	4	8,354	11,736
Reinsurance payables		52	77
Payables related to direct insurance contracts		281	298
Lease liabilities	35	21	21
Accruals and deferred income	37	88	91
Other payables	36	45	33
Total liabilities		128,180	149,193
Total equity and liabilities		128,958	150,059

On behalf of the Board



P Mayes
Director
20 March 2023

Statement of changes in equity
for the year ended 31 December 2022

	Share capital (note 29) £m	Share premium £m	Other reserves (note 30) £m	Retained earnings £m	Total £m
At 1 January 2022	30	118	545	173	866
Profit for the year				198	198
Other comprehensive income for the year	-	-	9	-	9
Total comprehensive income for the year	-	-	9	198	207
Dividends paid on ordinary shares (note 13)	-	-	-	(295)	(295)
At 31 December 2022	30	118	554	76	778

	Share capital (note 29) £m	Share premium £m	Other reserves (note 30) £m	Retained earnings £m	Total £m
At 1 January 2021	21	118	554	137	830
Profit for the year				36	36
Other comprehensive income for the year	-	-	(9)	-	(9)
Total comprehensive income for the year	-	-	(9)	36	27
Issue of share capital	9	-			9
At 31 December 2021	30	118	545	173	866

Of the above, £630m (2021: £686m) is considered distributable.

Statement of cash flows
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated/(absorbed) by operations	38	112	(220)
Taxation paid		(22)	(11)
Net cash flows from operating activities		90	(231)
Cash flows from investing activities			
Share capital issued		-	*9*
Share capital subscribed		-	*(9)*
Deferred consideration from abrdn transaction	4	-	63
Net cash flows from investing activities		-	63
Cash flows from financing activities			
Ordinary share dividends paid	13	(295)	-
Interest paid on borrowings		(9)	(1)
Repayment of lease liabilities	35	(1)	(1)
Net cash flows from financing activities		(305)	(2)
Net decrease in cash and cash equivalents		(215)	(170)
Cash and cash equivalents at the beginning of the year		913	1,160
Less: cash and cash equivalents of operations classified as held for sale		(33)	(76)
Effect of exchange rate changes on cash and cash equivalents		1	(1)
Cash and cash equivalents at the end of the year	28	666	913

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2022, set out on pages 39 to 111, were authorised by the Board of Directors for issue on 20 March 2023.

The financial statements have been prepared on a historical cost basis except for investment property, investments in subsidiaries and associates held for investment purposes 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 an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

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

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

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

Going Concern
The Board has considered financial projections which demonstrate the ability of the Company to withstand market shocks in a range of scenarios, including severe ones.

In assessing the appropriateness of the going concern basis, the Board considered base case and plausible downside liquidity and solvency projections. The downside scenario used reflected the impacts of market disruption in the latter part of the current financial year and applied a stress period which incorporated a UK Sovereign downgrade amongst other appropriate stress calibrations.

The projections demonstrated that excess capital would remain in the Company under the downside scenario, supporting cash generation in the going concern period to 30 June 2024, and that liquidity was adequate to meet liabilities as they fell due. Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of compliance
The financial statements of the Company for the year ended 31 December 2022 have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006, as applicable to companies reporting under those standards.

2. Accounting Policies

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the measurement of insurance and investment contract liabilities and determination of the fair value of financial assets and liabilities. The application of critical accounting judgements that could have the most significant effect on the recognised amounts is the determination of adjusted operating profit. The value of the recognised amounts can be referring to the related notes highlighted in the table below. Details of all critical accounting estimates and judgements are included below.

Financial statement area	Critical accounting estimates and assumptions	Related notes
Adjusted operating profit	Adjusted operating profit is the Company's non-GAAP measure of performance. The Company is required to make judgements as to the appropriate longer-term rates of investment return for the determination of adjusted operating profit, based on risk-free yields at the start of each financial year, and as to what constitutes an operating or non-operating item in accordance with the accounting policy detailed in (b). Profits on the initial recognition of new business are included in adjusted operating profit on a basis using valuation assumptions consistent with the Company's expected longer term asset allocation attributable to that business. The impact on profit of subsequent changes in planned or actual asset allocation are excluded from adjusted operating profit.	5
Insurance and investment contract liabilities	Insurance and investment contract liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2022, there were no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 40. Insurance and investment contract liability accounting is discussed in more detail in accounting policies (r) and (s) with further detail of the key assumptions made in determining insurance and investment contract liabilities included in the notes to the accounts. Economic assumptions are set taking into account market conditions as at the valuation date. Non-economic assumptions, such as future expenses, longevity and mortality are set based on past experience, market practice, regulations and expectations about future trends. The valuation of insurance contract liabilities is sensitive to the assumptions which have been applied in their calculation. Details of sensitivity analysis carried out is set out within note 40.	31
Fair value of financial assets and liabilities	The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies (l) and (t) respectively. Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values. In relation to the Level 3 financial instruments, sensitivity analysis is performed in respect of the key assumptions used in the valuation of these financial instruments.	22
Investment in subsidiaries	The Company has two categories of investment in subsidiaries: strategic subsidiaries and investment subsidiaries. Strategic subsidiaries are operating companies which support the Group and the Company's strategic objectives, as well as certain non-trading and dormant companies. Investment subsidiaries are held to generate capital or income growth through holding investments. The accounting for both types of subsidiaries, including determining whether the Company has control over its subsidiaries for investment purposes, is discussed in more detail in accounting policy (k). Where a subsidiary is classed as a subsidiary for investment purposes it is subject to fair value accounting and the factors set out in the critical estimate above.	20

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the measurement of insurance and investment contract liabilities and determination of the fair value of financial assets and liabilities. The application of critical accounting judgements that could have the most significant effect on the recognised amounts is the determination of operating profit. Details of all critical accounting estimates and judgements are included below.

How climate risk affects our accounting estimates and judgments

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

The majority of the Company's financial assets are held at fair value and use quoted market prices or observable market inputs in their valuation. The use of quoted market prices and market inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk. For the valuation of level 3 financial instruments, there are no material unobservable inputs that the Directors consider particularly sensitive to climate risk. Note 40 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk.

Insurance and investment contract liabilities use economic assumptions taking into account market conditions at the valuation date as well as non-economic assumptions such as future expenses, longevity and mortality which are set based on past experience, market practice, regulations and expectations about future trends. Due to the level of annuities written by the Company, it is particularly exposed to longevity risk. At 31 December 2022 there are no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. Further details as to how assumptions are set and of the sensitivity of the Company's results to annuitant longevity and other key insurance risks are set out in note 40.

(b) Adjusted operating profit

The Company has chosen to report a non-GAAP measure of performance, being adjusted operating profit. Adjusted operating profit is considered to provide a comparable measure of the underlying performance of the business as it excludes the impact of short-term economic volatility and other one-off items.

This measure incorporates an expected return over the period, including a longer term return on financial investments backing shareholder and policyholder funds using risk free yields at start of year, with consistent allowance for the corresponding expected movements in liabilities. Annuity new business profits are included in adjusted operating profit using valuation assumptions consistent with the pricing of the business (including the Company's expected longer term asset allocation backing the business).

Adjusted operating profit includes the effect of variances in experience for non-economic items, such as mortality and expenses, and the effect of changes in non-economic assumptions. It also incorporates the impacts of significant management actions where such actions are consistent with the Company's core operating activities (for example, actuarial modelling enhancements and data reviews). Adjusted operating profit is reported net of policyholder finance charges and policyholder tax.

Adjusted operating profit excludes the impact of the following items:

- the difference between the actual and expected experience for economic items and the impacts of changes in economic assumptions on the valuation of liabilities;
- amortisation and impairments of intangible assets;
- finance costs attributable to owners;
- the financial impacts of mandatory regulatory change;
- integration, restructuring or other significant one-off projects; and
- any other items which, in the Directors' view, should be disclosed separately by virtue of their nature or incidence to enable a full understanding of the Company's financial performance.

Whilst the excluded items are important to an assessment of the financial performance of the Company, management considers that the presentation of the adjusted operating profit metric provides useful information for assessing the underlying performance of the Company on an ongoing basis.

The hedging strategy of the Company is calibrated to protect the regulatory capital position and cash generation capability, as opposed to the IFRS financial position. This can create additional volatility in the IFRS result which is excluded from the adjusted operating profit metric. In addition, significant non-recurring items are excluded where their nature is not reflective of the underlying performance of the business.

The Company therefore considers that adjusted operating profit provides a more representative indicator of the ability to generate cash available for distribution to shareholders. Accordingly, the measure is more closely aligned with the business model of the Company and how performance is managed by those charged with governance.

(c) Income recognition

Gross premiums

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

Reinsurance premiums

Outward reinsurance premiums are accounted for on a payable basis.

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

Fee and commission 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 (between 5 and 30 years); and
- release of deferred income reserve.

Net investment income

Net investment income comprises interest, dividends, rents receivable, fair value gains and losses and impairment reversals and losses. Fair value movements occur on financial assets, including subsidiaries held for investment purposes, while impairment reversals and losses occur on loans and investments in subsidiaries held for strategic purposes and measured at amortised cost less impairment.

Interest income is recognised as income in the Statement of comprehensive income 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 Statement of comprehensive income 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.

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. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

(d) Transfers of business

Business combinations that involve other entities in the Phoenix Group are outside the scope of IFRS 3 and are accounted for using merger accounting principles. Under the principles of merger accounting assets and liabilities transferred to a new entity are recorded in the new entity at the carrying value they were measured at by the transferor. No goodwill is recognised as a result of such transactions.

(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.

Finance costs

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.

Change in unallocated surplus
The change in unallocated surplus recognised in the income statement comprises the movement in unallocated surplus during the period. However, where movements in assets and liabilities which are attributable to participating policyholders are recognised in other comprehensive income, the change in unallocated surplus arising from these movements is also recognised in other comprehensive income.

Income and expenses under arrangements with reinsurers
Income and expenses, including interest, arising under elements of contracts with reinsurers that do not transfer significant insurance risk are recognised on an accruals basis in the income statement as net income or expenses under arrangements with reinsurers.

(f) Income 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) Intangible assets

Software
The Company recognises as intangible assets software which has been developed internally and other purchased technology. Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of between 3 and 10 years of the intangible asset.

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.

(i) Property and equipment
Owner-occupied property is stated at its revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Owner-occupied property is depreciated over its estimated useful life, which is taken as 30-50 years. Gains and losses on owner-occupied property are recognised in the statement of consolidated comprehensive income.

Equipment is stated at historical cost less deprecation. Where acquired in a business combination, historical cost equates to the fair value at the acquisition date. Depreciation on equipment is charged to the income statement over its estimated useful life.

(j) Investment property
Investment property, including right of use assets, 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.

(k) Investment in subsidiaries

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 investments in subsidiaries held for investment purposes. 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 as equity securities and collective investment schemes and reinsurers' share of investment contract liabilities in the statement of financial position.

Investments in shares in subsidiaries held for strategic purposes are carried in the Statement of financial position at cost less impairment. At each reporting date for subsidiaries held at cost less impairment, the Company assesses whether there are any indications of impairment or reversal of impairment. When such indications exist, an impairment test is carried out by comparing the carrying value of the investment against the estimate of the recoverable amount, which represents the higher of value in use or fair value less costs of disposal. The value in use will be calculated with reference to IFRS net asset value as this approximates fair value. Impairments and reversal of impairments are recognised as income or an expense in the Statement of comprehensive income in the period in which they occur.

Investments in shares in subsidiaries held for investment purposes are carried at fair value through profit or loss.

(l) 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.

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

Derivative financial instruments are classified as held for trading. They are recognised initially at fair value and subsequently are re-measured to fair value. Exchange-traded derivatives are valued at the published bid price, or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. The gain or loss on re-measurement to fair value is recognised as income or an expense in the Statement of comprehensive income.

Equities, debt securities (including those where a security has not been issued) and collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the Statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies.

Impairment of financial assets

The Company assesses at each period end whether a financial asset, or group of financial assets, held at amortised cost is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Derecognition and offset of financial assets and liabilities

A financial asset (or a part of a group of similar financial assets) is derecognised 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial 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 asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

Fair value estimation
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.

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.

(m) 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. Premiums received from and claims paid to cedants in respect of such contracts are included in the premiums and claims recognised on the statement of comprehensive income and are not disclosed separately from premiums paid to and received from policyholders. Similarly, the actuarial liability in respect of these contracts is included in insurance and investment contract liabilities on the statement of financial position.

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.

(n) Deferred acquisition costs

Acquisition costs, comprising all direct and indirect costs arising from the conclusion of non-profit insurance and investment contracts are deferred as an explicit acquisition cost asset. For insurance contracts, this asset is amortised over the period in which the costs are expected to be recoverable out of margins from matching revenues from related policies and in accordance with the pattern of such margins. For investment contracts, this asset is amortised over the life of the contracts as the related revenue is recognised.

Acquisition costs incurred in issuing insurance or investment contracts with DPF are not deferred where such costs are borne by a with-profits fund that was subject to the PRA realistic capital regime. For other insurance contracts, acquisition costs, which include both incremental acquisition costs and other indirect costs of acquiring and processing new business, are deferred.

Deferred acquisition cost amortisation is expensed within other operating expenses in the Statement of comprehensive income. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the period end.

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with unit-linked investment contracts are deferred. Where such costs are borne by a with-profits fund that is measured on a realistic basis, deferral is limited to the level of any related deferred income.

Trail or renewal commission on non-participating investment contracts where the Company does not have an unconditional legal right to avoid payment, is deferred at inception of the contract and an offsetting liability for contingent commission is established.

(o) Cash and cash equivalents

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 3 months to maturity from the date of acquisition. For the purposes of the statement of cash flows cash and cash equivalents also include bank overdrafts, which are included in other financial liabilities on the statement of financial position.

(p) 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 as a distributable reserve.

(q) 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 discretionary participation feature (“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.

(r) Insurance contracts and investment contracts with DPF

Insurance liabilities

Insurance contract liabilities for non-participating business, other than unit linked insurance contracts, are calculated on the basis of current data and assumptions, using gross premium method. 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;
- 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.

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.

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 principal assumptions are given in note 40.

Demutualisation

On 10 July 2006, the Standard Life Assurance Company (“SLAC”) demutualised. The demutualisation of SLAC was governed by its Scheme of Demutualisation (“the Scheme”). Under the Scheme substantially all of the assets and liabilities of SLAC were transferred to the Company. The Company’s principal with-profits fund is the Heritage With-Profits Fund (“HWPF”).

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

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

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

For the HWPF, an amount is recognised for the present value of future profits (“PVFP”) on non-participating business written.

The value of future profits can be shown to be due to policyholders, therefore, 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.

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 principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 31.

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 IFRS 4 Insurance Contracts.

Unallocated surplus

The unallocated surplus comprises the excess of the assets over the policyholder liabilities of the with-profits business. For the Company's with-profits funds, the amount included in the Statement of financial position line item 'Unallocated surplus' represents amounts which have yet to be allocated to owners since the unallocated surplus attributable to policyholders has been included within liabilities under insurance contracts. The with-profits funds are closed to new business and as permitted by IFRS 4, the whole of the unallocated surplus has been classified as a separate liability.

In relation to the HWPF, amounts are considered to be allocated to shareholders when they emerge as recourse cash flows within the HWPF.

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.

(s) Investment contracts without DPF

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

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

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

Investment income attributable to, and the movements in the fair value of, investment contracts without DPF are included in 'Change in investment contract liabilities' as income or an expense in the Statement of comprehensive income.

(t) 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.

(u) 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.

(v) Payables related to direct insurance contracts

Payables related to direct insurance contracts includes balances for outstanding claims. Outstanding claims under insurance contracts and investment contracts with DPF are valued using a best estimate method under IFRS 4. Outstanding claims under investment contracts without DPF are measured at full settlement value in accordance with IAS 39.

(w) Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. Lease liabilities are presented as a separate line item and right-of-use assets are presented within 'investment property' in the statement of consolidated financial position.

The property right-of-use assets are initially measured at cost, and subsequently at fair value, adjusted for certain remeasurements of the lease liability. Fair value is determined without any deduction for transaction costs that may be incurred on sale or disposal. Gains or losses arising from changes in the fair value are recognised in the income statement. Investment property right-of-use assets are not depreciated.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments, that were agreed at inception. The lease liability is measured at amortised cost using the EIR method. It is remeasured when there is a change in future lease payments for e.g. rent reviews or if the Company changes its assessment of whether it will exercise a termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

(x) Reimbursement Assets

A reimbursement asset is recognised on the Statement of Financial Position as an asset when, and only when, the reimbursement is virtually certain to be received. In the Statement of Comprehensive Income the reimbursement is reported as Other Income.

(y) 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.

(z) Foreign currency translation

The statement of financial position of the Company's operations that have a different functional currency than the Company's presentation currency of pounds sterling are translated into the presentation currency at the year-end exchange rate and their income statements and cash flows are translated at average exchange rates for the year. All resulting exchange differences are recognised in other comprehensive income.

Foreign currency transactions are translated into the functional currency of the Company using exchange rates prevailing at the date of translation. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

(aa) Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification or would be completed within one year but for externally imposed conditions, such as regulatory requirements.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income. Additional disclosures are provided in Note 4. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3. New and amended accounting standards

New accounting pronouncements not yet effective

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

IFRS 17 Insurance contracts (1 January 2023)

IFRS 17 was issued by the International Standards Board in May 2017 and amended in June 2020. The standard was endorsed by the UK Endorsement Board in May 2022. IFRS 17 is effective from 1 January 2023.

IFRS 17 will replace IFRS 4 the current insurance contracts standard and it is expected to significantly change the way the Company measures and reports its insurance contracts. The overall objective of the new standard is to provide an accounting model for insurance contracts that is more useful and consistent for users.

In June 2022, the IFRS Interpretations Committee (IFRIC) provided its final agenda decision on the 'Transfer of Insurance Coverage under a Group of Annuity Contracts – IFRS 17', a non-objection from the International Accounting Standards Board was provided in July 2022. The methodology for coverage units determined by the Group and set out in the 'Coverage units' section below is compliant with this IFRIC final agenda decision.

Identifying contracts in scope of IFRS 17

IFRS 17 applies to insurance contracts (including reinsurance contracts) an entity issues, reinsurance contracts an entity holds and investment contracts with discretionary participation features an entity issues provided it also issues insurance contracts. The scope of IFRS 17 for the Company is materially consistent with that of IFRS 4. Investment contracts without discretionary participation features (DPF) will be measured under IFRS 9. The following requirements apply to reinsurance contracts unless stated otherwise.

IFRS 17 sets out criteria for when an investment component is distinct and may be separated from the host insurance contract. Following the application of these criteria the Company has concluded for the majority of its hybrid investment contracts with DPF within the scope of IFRS 17, the unit-linked component does not meet the definition of a distinct investment component so will no longer be accounted for as a financial instrument and will fall within the scope of IFRS 17. Hybrid investment contracts with DPF are those contracts which allow policyholders to invest in both with-profit and unit-linked fund options within a single contract.

Level of aggregation

IFRS 17 requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into cohorts based on their expected profitability. Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same cohort, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

Measurement

The standard introduces three measurement approaches, of which two, the general model and the variable fee approach, are applicable to the Company's business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin ('CSM'). Reinsurance contracts held are measured using the general model, irrespective of the measurement model applied to the underlying contracts reinsured.

The risk adjustment represents the compensation the Company requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned profit of a group of insurance contracts and is recognised in the statement of comprehensive income as the insurance and/or investment service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of profit to the statement of comprehensive income. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the statement of comprehensive income. This treatment of profits and losses in respect of services is broadly consistent with the principles of IFRS 15 and IAS 37 applicable to other industries. For reinsurance contracts held, the CSM represents the net gain or net loss of the contract and is recognised in the statement of comprehensive incomes as the service is provided using coverage units.

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. For certain contracts with participating features the variable fee approach is applied, this allows changes in economic assumptions and experience to adjust the CSM as well as non-economic assumptions, reflecting the variable nature of the entity's earnings driven by investment returns.

Significant judgements and estimates

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or in which the Company has a substantive obligation to provide services to the policyholder.

The adoption of IFRS 17 results in three main areas where contract boundaries differ from current practice:

- Some unit-linked and with-profit contracts contain a guaranteed annuity option, which allows the policyholder to convert the maturity benefit to an immediate annuity at a predetermined rate. The Company currently places a value on the guaranteed annuity option at maturity, but does not include within its measurement the cash flows associated with immediate annuity until the option is exercised. Under IFRS 17, the cash flows related to the immediate annuity will fall within the boundary of the contract as the Company does not have the practical ability to reprice the contract on maturity.
- The Company has issued renewable term assurance policies with varying terms. Where the Company has the practical ability to reassess the risks of the policyholders at individual contract or portfolio level the contract boundary ends at the earliest renewal date and the renewal will be treated as a new contract. Where the Company does not have the practical ability to reassess the risk, future renewals of these contracts on their guaranteed terms will be within the contract boundary.
- Some of the Company's reinsurance contracts cover underlying contracts issued on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new contracts at any time by giving notice within a specified time period, for example three months. Currently the cash flows included in the measurement of reinsurance contracts considers only the underlying contracts ceded at the valuation date. However, under IFRS 17, the contract boundary includes underlying contracts expected to be issued and ceded during the period from the valuation date to the end of the reinsurance notice period.

Discount rates

The Company will determine risk-free discount rates using the current market prices of interest rate swaps in each currency where the market is deep, liquid and transparent. The Company primarily writes contracts denominated in Pounds Sterling and Euros. The yield curve will be interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

The discount rates for annuity business will be determined by a 'top-down' approach using a reference portfolio of assets to determine an uplift to be applied to the risk-free discount rate curve.

The discount rates for unit-linked business and with-profit business will be determined by a 'bottom-up' approach, using a risk-free discount rate curve adjusted to reflect the characteristics of the liabilities such as illiquidity.

Risk adjustment

The risk adjustment for non-financial risk will reflect the compensation that the Company requires for bearing non-financial risk. The Company will apply a confidence level technique. The risk adjustment will be allocated to groups of contracts based on an analysis of the risk profiles of the groups, reflecting the effects of the diversification benefits between Group entities. The Company will determine the risk adjustment using a one year time horizon, consistent with the time horizon used for Solvency II, the key metric underlying how the Company is managed.

To determine the risk adjustment for reinsurance contracts, the Company will apply its approach both gross and net of reinsurance and determine the amount of risk being transferred to the reinsurer as the difference between the two results.

Coverage units

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in the period. The number of coverage units is updated at each valuation date and reflects the quantity of services provided by the contracts within a group considering both quantity of benefits provided and the length of the expected coverage period.

The Company will determine the quantity of benefits, and therefore the coverage units as follows:

Type of business	Coverage unit (quantitiy of benefits)
Term life	Sum assured in force
Endowment	Sum assured in force
Whole of life	Sum assured in force
Other protection products	Sum assured in force
Immediate annuity	Annuity payments in each period
Unit linked	Annual Management Charge plus insurance charges
Conventional with-profits (CWP) & Unitised with-profits (UWP)	Maximum of the guaranteed benefit and asset share

Reinsurance contracts held will use coverage units consistent with the underlying policies reinsured.

Transition

IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a modified retrospective approach or a fair value approach to determine the contractual service margin.

The primary books of business that will be measured using the fully retrospective approach are:

- Immediate annuities vesting without guarantees, post 1 January 2021;

The majority of the Company's business will be transitioned using the fair value approach.

Key factors considered in determining whether the fully retrospective approach is impracticable include:

- The ability to obtain assumptions and data at the required level of granularity, without the introduction of material use of hindsight, particularly in relation to contracts within acquired businesses and where the Company's financial reporting metrics did not require such information

- The availability and usability of historic data given the significant integration work performed by the Company on both its policy administration and actuarial modelling systems where re-platforming from legacy systems onto a unified platform has been carried out
- The significant level of regulatory change experienced by the insurance industry, such as Solvency II, which impacts on the level of change undergone by both legacy and current policy administration and actuarial modelling systems

Fair value approach

The fair value approach determines the CSM (or loss component) at 1 January 2022 as the difference between the fair value of a group of contracts and the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment.

The fair value determined by the Company will use cash flows with contract boundaries consistent with IFRS 17 requirements and be broadly consistent with those used to determine the IFRS 17 liabilities. The measurement of the fair value of contracts will include items taken into consideration by a market participant but which are not included in the IFRS 17 measurement of contracts, such as a risk premium to reflect a market participant's view of uncertainty inherent in the contract cash flows being valued and a profit margin.

For groups of contracts measured using the fair value approach, the cohorts will contain contracts issued more than one year apart.

Presentation and disclosure

The introduction of IFRS 17 will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. All rights and obligations arising from a portfolio of contracts will be presented within the insurance or reinsurance contract balance, as such, balances such as payables related to direct insurance contracts and reinsurance receivables will no longer be presented separately.

The presentation of the statement of comprehensive income will change more significantly with IFRS 17 setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expense. The insurance service result reflects the consideration earned in exchange for the provision of services in relation to the group of IFRS 17 contracts issued. The insurance financial income/expense reflects changes in the carrying amount of the group of insurance contracts that relate to financial risks. It comprises the effect of the time value of money as well as the effect of financial risks and changes in financial risks.

IFRS 17 also requires extensive disclosures, both quantitative and qualitative, in relation to:

- Amounts recognised in the financial statements, including reconciliations showing how the net carrying amounts of contracts changed during the period;
- Significant judgements and changes in these judgements; and
- The nature and extent of risks that arise from contracts within the scope of IFRS 17.

Impact assessment

The total profit recognised over the lifetime of contracts within the scope of IFRS 17 will not change from the total profit recognised under IFRS 4 and will continue to be recognised in the statement of comprehensive income. The pattern of profit emergence under IFRS 17 will primarily be driven by the timing of the recognition of the risk adjustment and CSM. The risk adjustment is released to the statement of comprehensive income as the related risk expires and the CSM is released as services are provided.

IAS 8 requires an entity to disclose all known or reasonable estimated information regarding the possible impact that the application of a new IFRS is expected to have on its financial statements. At the date of issuing these financial statements the financial impact of transition to IFRS 17 on Retained Earnings at 1 January 2022 is not capable of being reasonably estimated as work continues to deliver these later this year.

Implementation project status

The Group's implementation project, of which the Company is a subsidiary and within scope, continued throughout 2022 with a focus on continuing to develop and embed the operational capabilities required to implement IFRS 17 including data, systems and business processes, and determining the transition balance sheet as at 1 January 2022. The focus for 2023 is on finalising the transition balance sheet and the 2022 comparatives required for 2023 reporting, and implementation of the end state control environment.

IFRS 9 *Financial Instruments* (1 January 2023):

Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39 *Financial Instruments: Recognition and Measurement*. The expected credit loss model will require the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In addition, the general hedge accounting requirements have been updated under IFRS 9 to better reflect risk management activities of the Company.

The Company has to date taken advantage of the temporary exemption granted to insurers in IFRS 4 *Insurance Contracts* from applying IFRS 9 until 1 January 2023 as a result of meeting the exemption criteria as at 31 December 2015. As at this date the Company's activities were considered to be predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities was greater than 90%.

IFRS 9 will be implemented at the same time as the new insurance contracts standard (IFRS 17 Insurance Contracts) effective from 1 January 2023. During the year, the Company completed its assessment of the impacts of adopting IFRS 9. The classification of the Company's financial assets has been reviewed and it has been determined that financial assets backing insurance liabilities will continue to be measured at fair value through profit or loss ('FVTPL'). The business model assessment concluded that these assets are actively managed and evaluated on a fair value basis and as such would be mandatorily classified at FVTPL. It is not expected that use of the fair value option, as permitted by IFRS 9, to designate assets as FVTPL to avoid an accounting mismatch will be required.

The new standard replaces the incurred loss model with an expected credit loss model for financial assets measured at amortised cost or at FVOCI. The proportion of financial assets classified at amortised cost is relatively small as a proportion of the total and due to the credit risk profile of these assets being investment grade, the expected credit loss on these assets is not expected to be material and therefore there will be limited financial impact on the Company.

A number of additional disclosures will be required by IFRS 7 Financial Instruments: *Disclosures* as a result of implementing IFRS 9. Additional disclosures have been made to the financial statements to provide information to allow comparison with entities who have already adopted IFRS 9.

- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*) (1 January 2023): The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have any impact on the Company.

- Definition of Accounting Estimates (Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*) (1 January 2023): The amendments replace the definition of a "change in accounting estimates" with an updated definition of "accounting estimates". Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. These amendments are not expected to have any impact on the Company.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*) (1 January 2023): The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences. There will potentially be some additional disclosures required in relation to the Company's leasing arrangements as a result of implementing these amendments.

- Classification of Liabilities as Current and Non-current (Amendments to IAS 1 *Presentation of Financial Statements*) (1 January 2024): The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 *Leases*) (1 January 2024): The amendments relate to how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. On initial recognition, the seller-lessee is required to include variable lease payments when measuring a lease liability arising from a sale and leaseback transaction. After initial recognition, they are required to apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognised. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation. These amendments are not expected to have any impact on the Company.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred): The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. These amendments are not expected to have any impact on the Company.

On 31 January 2020, the UK left the EU and effective from 1 January 2021, the European Commission no longer endorses IFRSs for use in the UK. UK legislation provides that all IFRSs that had been endorsed by the EU on or before the 31 December 2020 became UK-adopted international accounting standards. New or amended IFRSs are now endorsed by the UK Endorsement Board following delegation of powers to endorse and adopt IFRSs for the UK by the Secretary of State in May 2021.

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

- IFRS 17 *Insurance Contracts*;
- Amendments to IFRS 17;
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information;
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments to IFRS 9 *Financial Instruments* formed part of the EU-adopted IFRSs which were adopted by the UK on 1 January 2021 and have previously been endorsed by the EU.

4. Transfers of business

Agreement to transfer investment and platform-related products to abrdn

On 23 February 2021, the Group announced that it had entered into a new agreement with abrdn, to simplify the arrangements of their strategic partnership.

The remaining activity relates to the sale of the Company's Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to abrdn, which is subject to regulatory clearance for both parties, and will be effected through a Part VII transfer targeted for completion in 2023. During the year, the Company continued internal planning and engagement with the PRA in anticipation for this transaction.

The assets and liabilities associated with the products being sold to abrdn are classified as a disposal group held for sale and as a discontinued operation. The Group received cash consideration for the overall transaction of £115m, of which £63m was received by the Company in relation to the sale of the Company's Wrap SIPP, Onshore Bond and TIP business. The cash consideration that remains outstanding as at 31 December 2022 is £37m, which is recognised in deferred income in the Company's balance sheet, see note 37.

At 31 December 2021, the assets and liabilities associated with the products being sold to abrdn were classified as a disposal group held for sale and as a discontinued operation. The results of these products are shown below:

	2022 £m	2021 £m
Net income	51	47
Operating expenses	(48)	(62)
Profit / (loss) for the year before tax from discontinued operations	3	(15)
Tax credit / (charge)	0	3
Profit / (loss) for the year after tax from discontinued operations	3	(12)

At 31 December 2022, there was no write-down as the carrying amount of the disposal group was lower than the fair value less costs to sell. The profit for the year from discontinued operations is wholly attributable to the Company's shareholders.

The major classes of assets and liabilities of the products being sold to abrdn and classified as held for sale as at 31 December are, as follows:

	Notes	2022 £m	2021 £m
Assets held for sale			
Investment property	16	2,506	3,309
Financial assets			
Derivatives	19	3	4
Equities		43	77
Debt securities		1,594	2,229
Subsidiaries held for investment purposes	20	1,147	1,788
Collective investment schemes		2,965	4,170
Reinsurers' share of investment contract liabilities		25	27
Deferred acquisition costs	25	5	7
Cash and cash equivalents		33	76
		8,321	11,687
Liabilities held for sale			
Financial liabilities			
Investment contracts		8,312	11,676
Derivatives	19	4	4
Accruals and deferred income	37	38	56
		8,354	11,736

The net cash flows attributable to the operating activities of discontinued operations during 2022 amounted to £5m (2021: £(13)m).

Fair value measurement

The financial instrument valuation methods used for assets and liabilities held for sale are the same as those set out in note 22.

The fair value measurement of certain collective investment schemes held for sale have been categorised as a level 3 fair value based on the inputs to the valuation techniques used. Information on valuation methods used for these collective investment schemes is set out in note 22. The fair value hierarchy information for financial instruments held for sale is included within the information presented in note 22.

5. Adjusted Operating Profit

	2022 £m	2021 £m
Adjusted operating profit	209	251
Investment return variances and economic assumption changes on long-term business	90	(174)
Other non-operating items	(70)	(36)
Profit before tax attributable to owners	**229**	**41**

Key drivers of adjusted operating profit

	2022 £m	2021 £m
Expected returns less acquisition and new business proposition expenses	178	190
Changes in demographic assumptions	46	10
Change in demographic experience	(37)	(1)
Changes in model and methodology	19	42
New business	3	10

Other non-operating items

Non-operating items other than investment return variances in 2022 include:

- £(23)m (2021: £(13)m) costs in respect of IFRS17 implementation activity;
- £(10)m (2021: £nil) impact in respect of an impairment of the Company's holding in Standard Life Assets and Employee Services Limited ("SLAESL") in note 17;
- £(9)m (2021: £nil) costs in respect of policy migration activity of the Company's annuity book to a single digitally enhanced outsourcer platform;
- £(8)m (2021: £nil) costs in respect of the move of invested assets from Citi to HSBC;
- £(7)m (2021: £nil) costs in respect of enhancements to the Company's actuarial modelling capability;
- The remaining balance relates to other project costs.

Investment return variances

The investment return variances and economic assumption changes excluded from the long-term business operating profit largely arise due to differences in the IFRS reporting basis compared to the hedged Solvency II position, after allowance for risk capital. The main impact is from gains arising on equity hedges as markets fell over the period.

The long-term nature of much of the Company's operations means that, for internal performance management, the effects of short-term economic volatility are treated as non-operating items. The Company focuses instead on an adjusted operating profit measure that incorporates an expected return on investments supporting its long-term business. The methodology for the determination of the expected investment return is explained below:

Calculation of the long-term investment return

The expected return on investments for both owner and policyholder funds is based on opening economic assumptions applied to the funds under management at the beginning of the reporting period. Expected investment return assumptions are derived actively, based on market yields on risk-free fixed interest assets at the start of each financial year.

The long-term risk-free rate used as a basis for deriving the long-term investment return is set by reference to the swap curve at the 15-year duration plus 36bps (2021: 10bps). A risk premium is added to the risk-free yield according to asset type as shown below.

	Long term investment return assumption		Risk premium	
	2022	2021	2022	2021
	%	%	Bps	Bps
Equities	4.6	4.1	334	349
Properties	3.7	3.1	244	249
Gilts	1.3	0.8	0	15
Other fixed interest	1.8	1.2	52	55

6. Fees and commissions

Year ended 31 December 2022	Notes	UK Open £m	UK Heritage £m	Europe £m	Total £m
Fee income from investment contracts without DPF		294	143	-	437
Amortisation of deferred income	37	4	2	-	6
Other revenue from contracts with customers		1	-	5	6
		299	145	5	449

Year ended 31 December 2021	Notes	UK Open £m	UK Heritage £m	Europe £m	Total £m
Fee income from investment contracts without DPF		291	138	-	429
Amortisation of deferred income	37	7	3	1	11
Other revenue from contracts with customers		1	-	6	7
		299	141	7	447

Remaining performance obligations are disclosed in note 37 (deferred income). Annual management charges are recognised over time as the Company provides investment management services. Front-end fees on investment management service contracts are deferred as a liability and amortised to the income statement over the period services are provided.

No significant judgements are required in determining the costs incurred to obtain or fulfil contracts with customers.

7. Net investment income

	Notes	2022 £m	2021 £m
Investment income			
Interest income on loans and deposits at amortised cost		20	12
Other interest income on instruments at amortised cost		1	1
Interest income on financial assets designated at fair value through profit or loss		555	658
Dividend income		2,091	1,333
Rental income		219	226
Foreign exchange gains/(losses) on instruments at amortised cost		(2)	47
		2,884	2,277
Fair value gains/(losses) on items at fair value through profit or loss			
Financial assets and liabilities:			
Held for trading – derivatives		(1,658)	(1,534)
Designated upon initial recognition		(9,323)	3,116
Investment in subsidiaries	20	(6,629)	4,952
Investment property	16	(1,015)	831
		(18,625)	7,365
Net investment income		(15,741)	9,642

Rental income is primarily received on investment properties.

8. Net income under arrangements with reinsurers

	2022 £m	2021 £m
Interest payable on deposits from reinsurers	41	6
Premium adjustments	(472)	(33)
	(431)	(27)

9. Other operating expenses

	Notes	2022 £m	2021 £m
Administrative services		381	318
Investment management expenses and transaction costs		48	54
Impairment losses on property, plant and equipment	15	-	(1)
Changes in provisions		10	16
Other		33	44
		472	431
Acquisition costs incurred		84	89
Acquisition costs deferred	25	(3)	(2)
Amortisation of deferred acquisition costs	25	25	30
Impairment of deferred acquisition costs	25	7	-
Total other operating expenses		585	548
Less expenses related to discontinued operations		(48)	(62)
Total other operating expenses from continuing operations		537	486

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

10. Directors' remuneration

	2022 £000	2021 £000
Remuneration (executive and non-executive directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	1,208	1,203
Share option schemes and other long-term benefits	947	656
Contributions to money purchase pension schemes	2	-
	2,157	1,859

	2022 Number	2021 Number
Number of directors accruing retirement benefits under:		
- a money purchase pension scheme	3	1
Number of directors who had exercised share options during the year	5	3

	2022 £000	2021 £000
Highest paid director's remuneration	664	671

The highest paid director did exercise share options during the year.

The executive directors are employed by either Phoenix Group Management Services Limited (formerly known as Pearl Group Management Services Limited) ("PGMS"), 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. Tax charge/(credit)

Current year tax charge/(credit)

	Notes	2022 £m	2021 £m
Current tax:			
UK Corporation tax		33	21
Overseas tax		4	4
		37	25
Adjustment in respect of prior years		7	(8)
Total current tax		44	17
Deferred tax:			
Origination and reversal of temporary differences		(134)	50
Change in the rate of UK corporation tax		-	8
Total deferred tax	24	(134)	58
Total tax charge		(90)	75
Attributable to:			
- policyholders		(121)	70
- owners		31	5
Total tax charge		(90)	75

The Company, as a proxy for policyholders in the UK, is required to pay taxes on investment income and 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)

	2022 £m	2021 £m
Profit for the year before tax	108	111
Tax (charge) / credit attributable to policyholders' returns	121	(70)
Profit before tax attributable to owners	229	41
Tax at standard UK rate of 19% (2021: 19%)	44	8
Non taxable income and gains	(3)	(2)
Adjustment to owners' tax in respect of prior years	2	(6)
Profits taxed at rates other than 19%	(12)	(3)
Deferred tax rate change	-	8
Tax attributable to owners	31	5
Tax charge / (credit) attributable to policyholders' returns	(121)	70
Total tax charge / (credit)	(90)	75

12. Auditor's remuneration

	2022 £000	2021 £000
Audit of the Company's financial statements	1,225	1,258

During the financial year ended 31 December 2022, Ernst & Young LLP acted as the Company's external auditor.

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

13. Dividends on ordinary shares

	2022 £m	2021 £m
1st Interim dividend for 2022 at 9p per share	225	-
2nd Interim dividend for 2022 at 3p per share	70	-
	295	-

14. Intangible assets

	Notes	2022 £m	2021 £m
Cost			
At 1 January and at 31 December		186	186
Amortisation and impairment			
At 1 January		(182)	(172)
Amortisation charge for the year	38	(4)	(10)
At 31 December		(186)	(182)
Carrying amount			
At 31 December		-	4

15. Property, plant and equipment

	Notes	Owner occupied property 2022 £m	Owner occupied property 2021 £m
Cost or valuation			
At 1 January		8	7
Impairment losses reversed	9, 38	-	1
At 31 December		8	8
Accumulated depreciation			
At 1 January and at 31 December		-	-
Carrying amount		8	8
Amount recoverable after 12 months		8	8
Carrying amount measured using cost model		8	8

Where the expected residual value of owner occupied property is in line with the current fair value, no depreciation is charged.

The methods and assumptions used to value owner occupied property are the same as those for investment property set out in note 16.

16. Investment property

	Notes	2022 £m	2021 £m
At 1 January		5,861	4,594
Additions		137	720
Disposals		(960)	(287)
Remeasurement of right of use asset		(2)	3
Net fair value (losses) / gains	7, 38	(1,015)	831
		4,021	5,861
Less amounts classified as held for sale at 31 December	4	(2,506)	(3,309)
At 31 December		1,515	2,552
Unrealised (losses) / gains in the period on assets held at the end of the year		(1,328)	737
Value of ground rent right of use asset		21	21
		(1,307)	758

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

Fair value measurement

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

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

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

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 2022**	**2021**
Commercial investment property and owner occupied property	RICS valuation	Expected income per square foot	£26.32 weighted average	£23.13 weighted average
		Capitalisation rate	5.69% weighted average	4.28% weighted average
		Rental value per hotel room	£9,927 weighted average	£8,368 weighted average
		Capitalisation rate	6.38% weighted average	5.18% weighted average
		Rental value per parking space	£1,112 weighted average	£1,095 weighted average
		Capitalisation rate	7.21% weighted average	4.95% weighted average
		Construction costs per square metre	£1,044 weighted average	£602 weighted average
		Profit on costs	12.50% weighted average	5% weighted average
		Capital value per square foot	£18.30 weighted average	£33.97 weighted average

Rental income and expense

	2022 £m	2021 £m
Direct operating expenses in respect of:		
Investment properties that generated rental income during the year	18	18
Future minimum lease rental receivables in respect of non-cancellable operating leases on investment properties due:		
Not later than one year	191	209
Later than one year and no later than five years	695	721
Later than five years	2,859	2,788
Total operating lease receivables	3,745	3,718

17. Subsidiaries held for strategic purposes

	2022 £m	2021 £m
Cost		
At 1 January	14	5
Subscription of share capital	-	9
At 31 December	14	14
Impairment		
At 1 January	-	-
Impairment	10	-
At 31 December	10	-
Carrying amount		
At 31 December	4	14

Investments in subsidiaries held for strategic purposes are held at cost less impairment. A listing of subsidiaries held at 31 December 2022 and of subsidiaries disposed of and incorporated during the year can be found at note 43.

The impairment in the year related to the Company's holding in SLAESL. Following notification to the Board of PGH's intended purchase of SLAESL, the carrying value has been impaired to an expected sale price of £3.4m. This value is based on a call agreement in place that PGH can exercise at any time to repurchase SLAESL at a value equivalent to its 2018 net assets.

18. Loans and deposits

	Notes	2022 £m	2021 £m
Loans to Group entities at amortised cost:			
Loan to parent	42	309	300
Loans to strategic subsidiaries		4	6
Loans to investment subsidiaries		190	183
		503	489
Other loans and deposits at amortised cost:			
Loans secured by mortgages		7	11
Total loans and deposits	21	510	500
Amount recoverable after 12 months		503	500

Details of loans to Group entities

Loan to	Start date	End date	Interest rate	Amount advanced £m
Parent				
Phoenix Group Holdings plc	21 February 2019	29 March 2024	1.66%	282
Strategic subsidiaries				
Standard Life Lifetime Mortgages Ltd	1 December 2009	No specified end date	5.9%	9
Investment subsidiaries				
Standard Life Assurance (HWPF) Luxembourg S.a.r.l. and its subsidiaries1	27 November 2014	No specified end date	2.21% - 6.08%	190

1 The loans advanced to this subsidiary represent a series of loans for the purposes of purchasing investment property,

Movements in loans to Group entities

	Parent £m	Strategic subsidiaries £m	Investment subsidiaries £m	Total group loans £m
At 1 January 2022	300	6	183	489
Repayments	-	(2)	(4)	(6)
Interest	9	-	-	9
Foreign exchange adjustment	-	-	11	11
At 31 December 2022	309	4	190	503
At 1 January 2021	294	9	235	538
Repayments	-	(3)	(38)	(41)
Interest	6	-	-	6
Foreign exchange adjustment	-	-	(14)	(14)
At 31 December 2021	300	6	183	489

19. Derivatives

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

All derivative instruments have been classified as held for trading and are not part of a designated IAS 39 hedging relationship.

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

The fair values of derivative financial instruments are:

	Notes	2022 Assets £m	2022 Liabilities £m	2021 Assets £m	2021 Liabilities £m
Forward currency		29	8	8	2
Credit default swaps		-	1	45	10
Interest rate swaps		1,356	1,363	267	94
Swaptions		186	46	1,718	9
Inflation swaps		39	3	16	10
Equity options		333	148	405	254
Stock index futures		92	6	10	71
Fixed income futures		3	23	1	2
		2,038	1,598	2,470	452
Less amounts classified as held for sale at 31 December	4	(3)	(4)	(4)	(4)
At 31 December		2,035	1,594	2,466	448
Amount recoverable/payable after 12 months		1,897	3,346	1,404	386

20. Investment in subsidiaries held for investment purposes

	Notes	2022	2021
At 1 January		69,222	56,435
Additions		41,007	29,925
Disposals		(33,418)	(22,961)
Fair value (losses)/gains	7, 38	(6,629)	4,952
Foreign exchange adjustment		(465)	(397)
Transfers in from collective investment schemes		516	1,300
Transfers out to collective investment schemes		-	(25)
Other		-	(7)
		70,233	69,222
Less amounts classified as held for sale at 31 December	4	(1,147)	(1,788)
At 31 December		69,086	67,434

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.

A listing of subsidiaries can be found at note 43.

The fair value measurements of the investment in subsidiaries are classified in accordance with the principles in note 21, and information on the valuation methodology and hierarchy is given in that note.

21. Financial instruments

IFRS 9 Financial Instruments

The Company has taken advantage of the temporary exemption granted to insurers in IFRS 4 Insurance Contracts from applying IFRS 9. The tables below give the additional disclosures required by insurers taking this exemption:

	Notes	2022 Fair Value £m	2022 Change in fair value £m	2021 Fair Value £m	2021 Change in fair value £m
Financial assets with contractual cash flows that are solely principal and interest ("SPPI") excluding those held for trading, or managed on a fair value basis					
Loans and deposits	18	453	(36)	479	(21)
Cash and cash equivalents	28	683	-	932	-
Other receivables		1,142	-	617	-
Accrued income	26	59	-	53	-
All other financial assets		113,952	(17,619)	130,173	6,534
Total		116,289	(17,655)	132,254	6,513

2022	A £m	Non-Rated £m	Unit Linked £m	Total £m
Loans and deposits	309	144	-	453
Cash and cash equivalents	50	-	633	683
Other receivables	-	39	1,103	1,142
Accrued income	-	27	32	59
	359	210	1,768	2,337

2021	A £m	Non-Rated £m	Unit Linked £m	Total £m
Loans and deposits	300	179	-	479
Cash and cash equivalents	28	43	861	932
Other receivables	-	29	588	617
Accrued income	-	15	38	53
	328	266	1,487	2,081

Cash and cash equivalents excludes assets held for sale of £33m (2021: £76m).

Expected settlement dates

	Notes	2022 Total £m	2022 Amounts recoverable after 12 months £m	2021 Total £m	2021 Amounts recoverable after 12 months £m
Financial assets					
Loans and deposits at amortised cost	18	510	503	500	500
Financial assets at fair value through profit or loss					
Derivatives held for trading	19	2,038	1,897	2,470	1,404
Designated upon initial recognition:					
Equities		2,635	-	3,918	-
Debt securities		15,125	12,263	20,502	18,467
Subsidiaries held for investment purposes	20	70,233	-	69,222	-
Collective investment schemes		26,918	-	39,105	-
Reinsurers' share of investment contract liabilities		2,776	-	3,237	-
Less amounts classified as held for sale		(5,777)	(1,568)	(8,295)	(2,190)
		114,458	13,095	130,659	18,181

	Notes	2022 Total £m	2022 Amounts due for settlement after 12 months £m	2021 Total £m	2021 Amounts due for settlement after 12 months £m
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivatives held for trading	19	1,598	1,560	452	386
Designated upon initial recognition:					
Investment contract liabilities		88,899	-	99,731	-
Deposits received from reinsurers		2,331	1,982	3,196	2,810
Other financial liabilities		-	-	-	-
Financial liabilities measured at amortised cost					
Other financial liabilities	33	1,203	-	2,373	-
Less amounts classified as held for sale		(8,316)	(2)	(11,680)	(4)
		85,715	3,540	94,072	3,192

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.

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 2022 (2021: none).

The Company's over the counter (OTC) derivatives are all subject to International Swaps and Derivative Association (ISDA) master agreements or equivalents, which are 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.

At 31 December 2022

	Gross: Recognised financial instruments	Related amounts not offset: Financial instruments received / pledged as collateral	Cash received / pledged as collateral	Derivative assets / liabilities subject to netting arrangements	Net amount
	£m	£m	£m	£m	£m
Financial assets					
OTC derivatives	1,879	-	281	1,504	94
Financial liabilities					
OTC derivatives	1,568	4	-	1,504	60

At 31 December 2021

	Gross: Recognised financial instruments	Related amounts not offset: Financial instruments received / pledged as collateral	Cash received / pledged as collateral	Derivative assets / liabilities subject to netting arrangements	Net amount
	£m	£m	£m	£m	£m
Financial assets					
OTC derivatives	2,380	-	2,007	362	11
Financial liabilities					
OTC derivatives	379	17	-	362	-

Collateral

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

OTC derivatives

	2022 £m	2021 £m
Collateral accepted		
Recognised assets	735	2,086
Recognised liabilities	(735)	(2,086)
Maximum exposure to credit risk	1,879	2,380
Risk mitigated by use of collateral	(281)	(2,007)
Risk mitigated through net arrangements	(1,504)	(362)
Remaining risk	94	11
Collateral pledged		
Pledged as collateral	4	17
In respect of liabilities of	4	17

Credit risk on exchange traded derivative assets of £159m (2021: £90m) is mitigated through regular margining and the protection offered by the exchange.

SLIDAC reinsurance

On 29 March 2019 the Company entered into a Part VII transfer and reinsurance arrangement with SLIDAC. Under the terms of this arrangement, all transferred with-profits business is reinsured back to the Company. As part of this reinsurance arrangement the Company is required to pledge certain assets relating to the reinsurance contracts as collateral.

The Company is not deemed to have transferred control of these assets to SLIDAC and so these assets continue to be recognised on the balance sheet of the Company.

	2022 £m	2021 £m
SLIDAC Reinsurance		
Financial assets related to reinsurance contracts	9,999	12,061

22. 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.

	Carrying value 2022 £m	Fair Value 2022 £m	Carrying value 2021 £m	Fair Value 2021 £m
Assets and liabilities for which carrying value not approximate fair value				
Loans and deposits	510	453	500	479
Assets and liabilities for which fair value is not disclosed				
Participating investment contract liabilities	12,092	n/a	14,214	n/a
Obligations for repayment of collateral received	894	n/a	2,086	n/a

The fair value of Loans and deposits has been calculated using discounted cash flow valuation techniques. Where discounted cash flow techniques are used, estimated cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

It is not possible to reliably calculate the fair value of participating investment contract liabilities, included within liabilities under insurance contracts in the Statement of financial position. The assumptions and methods used in the calculation of these liabilities are set out in the accounting policies and notes 2 and 31.

Obligations for repayment of collateral received, disclosed within other financial liabilities, have no expected settlement date. As the obligations relate to the repayment of collateral received in the form of cash, the liability is stated at the value of the consideration received and therefore no fair value has been disclosed.

Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

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

Level 2 financial instruments

The fair values of financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs.

Financial instruments valued using broker quotes are classified as Level 2, only where there is a sufficient range of available quotes. The fair value of over the counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investments schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

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

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

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

Fair value hierarchy of financial instruments

Fair value hierarchy information for non-financial assets measured at fair value is included in note 16 for investment properties and owner occupied properties.

At 31 December 2022	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value					
Derivatives	19	-	2,038	-	2,038
Financial assets designated at fair value through profit or loss upon initial recognition					
Equities		2,298	7	330	2,635
Debt securities		10,967	2,342	1,816	15,125
Subsidiaries held for investment purposes	20	70,070	136	27	70,233
Collective investment schemes		26,341	396	181	26,918
Reinsurers' share of investment contract liabilities		2,145	631	-	2,776
		111,821	5,550	2,354	119,725
Less amounts classified as held for sale	4	(4,808)	(179)	(790)	(5,777)
Total financial assets measured at fair value		107,013	5,371	1,564	113,948
Financial assets for which fair values are disclosed					
Loans and deposits at amortised cost	18	-	190	320	510
Total financial assets		107,013	5,561	1,884	114,458

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value					
Derivatives	19	-	1,598	-	1,598
Financial liabilities designated at fair value through profit or loss upon initial recognition					
Investment contract liabilities		-	88,882	-	88,882
Deposits received from reinsurers		-	2,331	-	2,331
		-	92,811	-	92,811
Less amounts classified as held for sale	4	-	(8,316)	-	(8,316)
Total financial liabilities measured at fair value		-	84,495	-	84,495
Financial liabilities for which fair values are disclosed					
Investment contract liabilities		-	18	-	18
Total financial liabilities		-	84,513	-	84,513

At 31 December 2021

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets measured at fair value					
Derivatives	19	75	2,395	-	2,470
Financial assets designated at fair value through profit or loss upon initial recognition					
Equities		3,609	-	309	3,918
Debt securities		13,457	4,715	2,330	20,502
Subsidiaries held for investment purposes	20	68,984	236	2	69,222
Collective investment schemes		38,404	464	237	39,105
Reinsurers' share of investment contract liabilities		2,480	757	-	3,237
		127,009	8,567	2,878	138,454
Less amounts classified as held for sale		(6,973)	(430)	(892)	(8,295)
Total financial assets measured at fair value		120,036	8,137	1,986	130,159
Financial assets for which fair values are disclosed					
Loans and deposits at amortised cost	18	-	184	316	500
Total financial assets		120,036	8,321	2,302	130,659

	Notes	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial liabilities measured at fair value					
Derivatives		73	379	-	452
Financial liabilities designated at fair value through profit or loss upon initial recognition					
Investment contract liabilities		-	99,717	-	99,717
Deposits received from reinsurers		-	3,196	-	3,196
		73	103,292	-	103,365
Less amounts classified as held for sale		-	(11,680)	-	(11,680)
Total financial liabilities measured at fair value		73	91,612	-	91,685
Financial liabilities for which fair values are disclosed					
Investment contract liabilities		-	14	-	14
Total financial liabilities		73	91,626	-	91,699

At 31 December 2022	From level 1 to level 2 £m	From level 2 to level 1 £m
Financial assets measured at fair value		
Derivative assets	48	-
Financial assets designated at fair value through profit or loss upon initial recognition		
Equities	7	-
Debt securities	961	1,081
Collective investment schemes	21	-

There were no transfers of financial liabilities at fair value between Level 1 and Level 2 and between Level 2 and Level 1.

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.

Non-performance risk to derivative assets arising from the credit risk of each counterparty has been considered on a net exposure basis in line with the Company's risk management policies. At 31 December 2022 and 31 December 2021 the residual credit risk is considered immaterial and no credit risk adjustment has been made.

Equities, collective investment schemes, subsidiaries held for investment at FVTPL and reinsurers' share of investment contract liabilities
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
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:

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.

Other corporate bonds including unquoted bonds, commercial paper and certificates of deposit
These instruments are valued using models. For unquoted bonds the model uses inputs from comparable bonds and includes credit spreads which are obtained from brokers or estimated internally. Commercial paper and certificates of deposit are valued using standard valuation formulas. The classification of these instruments within the fair value hierarchy will be either level 2 or 3 depending upon the nature of the underlying pricing information used for valuation purposes.

Infrastructure Loans
These instruments are valued using models. The models use a discounted cash flow technique where future cash flows (including principal, interest and arrangement fees) are discounted to determine their present value. These inputs are generally observable with the exception of the spread used in the determination of the discount factor. These instruments are classified as level 3 in the fair value hierarchy

Commercial mortgages
These instruments are valued using models. The models use a discount rate adjustment technique which is an income approach. The key inputs for the valuation models are contractual future cash flows, which are discounted using a discount rate that is determined by adding a spread to the current base rate. The spread is derived from a pricing matrix which incorporates data on current spreads for similar assets and which may include an internal underwriting rating. These inputs are generally observable with the exception of the spread adjustment arising from the internal underwriting rating. The classification of these instruments within the fair value hierarchy will be either level 2 or 3 depending on whether the spread is adjusted by an internal underwriting rating.

Income strips
Income strips are transactions where an owner-occupier of a property has sold a freehold or long leasehold interest to the Company, and has signed a long lease (typically 30 - 45 years) or a ground lease (typically 45-175 years) and retains the right to repurchase the property at the end of the lease for a nominal sum (usually £1).

The valuation technique used by the Company to value these instruments is an income capitalisation approach, where the annual rental income is capitalised using an appropriate yield. The yield is determined by considering recent transactions involving similar income strips. Unlike investment properties which typically are leased on shorter lease terms, the estimated rental value is not a significant unobservable input. This is due to the length of the lease together with the nature of the rent reviews where the annual rental increases over the term of the lease in line with inflation or fixed increases. As the income capitalisation valuations generally include significant unobservable inputs including unobservable adjustment to the yield observed in other income strip transactions, these assets are categorised as level 3 in the fair value hierarchy.

Assets at amortised cost
Loans secured by mortgages
The estimated fair values of these instruments are calculated by discounting the expected future cash flows at current market rates.

Loans to group companies
Loans and deposits at amortised cost are predominantly loans to group entities as described in note 18.

Investment contract liabilities
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 where the contracts are onerous.

Liabilities at amortised cost
Insurance contract liabilities
As permitted by IFRS 7, 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 notes 2 and 31.

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
Subsidiaries held for investment purposes	Net asset value statements[1]	N/A
Collective investment schemes	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

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.

Assets and liabilities at amortised cost
The loans and deposits at amortised cost are predominantly loans to group entities as described in note 18.
The fair value of these instruments is measured using internally developed DCF models using a risk adjusted discount rate corroborated with external market data where possible.

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

Fair value of level 3 assets by category

	Fair value 2022 £m	Fair value 2021 £m
Debt securities		
Commercial mortgages	207	292
Unquoted corporate bonds	601	848
Income strips	786	886
Infrastructure loans	222	304
Debt securities total	1,816	2,330
Equity total	330	309
Subsidiaries held for investment total	27	2
Collective investment schemes total	181	237
Less amounts classified as held for sale	(790)	(892)
Total Level 3 financial instruments	1,564	1,986

Sensitivities of level 3 financial instruments

	2022 Fair value £m	2021 Fair value £m
Forward local authority loans		
65 bp increase in spread	-	(3)
65 bp decrease in spread	-	3
Local authority loans		
65 bp increase in spread	(3)	(2)
65 bp decrease in spread	3	2
Infrastructure loans		
65 bp increase in spread	(12)	(13)
65 bp decrease in spread	13	14
Income Strips		
35 bp increase in spread	(76)	(94)
35 bp decrease in spread	88	121
Private Placements		
65 bp increase in spread	(21)	(69)
65 bp decrease in spread	23	80
Commercial real estate loans		
35 bp increase in spread	(2)	(4)
35 bp decrease in spread	2	4
Social Housing		
65 bp increase in spread	(14)	-
65 bp decrease in spread	15	-

Significant inputs and input values for Level 3 instruments

Description	**Valuation technique**	**Significant inputs**	**Key unobservable input value**	
			2022	**2021**
Debt securities				
Commercial mortgages	DCF model[1]	Credit spread	2.5% (weighted average)	2.6% (weighted average)
Unquoted corporate bonds	DCF model[1]	Credit spread	1.6% (weighted average)	1.6% (weighted average)
Income strips	Income capitalisation	Equivalent yield	6.6% (weighted average)	4.9% (weighted average)
Infrastructure loans	DCF model[1]	Credit spread	2.1% (weighted average)	2.0% (weighted average)
Equity	Net asset value statements[2]	N/A	N/A	N/A
Subsidiaries held for investment purposes	Net asset value statements[2]	N/A	N/A	N/A
Collective investment schemes	Net asset value statements[2]	N/A	N/A	N/A

1. *DCF model:* See above in level 2 instruments and instruments measured at amortised cost
2. *Net asset value statements*: See above in level 2 instruments and instruments measured at amortised cost

For the commercial mortgages, unquoted corporate bonds, income strips and infrastructure loans, there are no reasonably possibly movements in unobservable input values which would result in a significant movement in the fair value of the financial instruments.

For those assets valued using net asset value statements (equities, subsidiaries held for investment and collective investment schemes) no sensitivity information has been prepared as the net asset statements are provided by independent third parties.

Movement in level 3 financial instruments measured at fair value
Financial assets 2022

	Notes	Equities £m	Debt securities £m	Collective investment scheme £m	Investment subsidiaries £m	Total £m
At 1 January 2022		309	2,330	237	2	2,878
Total gains/ (losses) in Statement of comprehensive income		(2)	(459)	(80)	8	(533)
Purchases		40	23	24	-	87
Sales/ Redemptions		(4)	(82)	-	(8)	(94)
Transfers in from level 1 and level 2		3	-	-	-	3
Foreign exchange adjustment		9	4	-	-	13
Other		(25)	-	-	25	-
		330	1,816	181	27	2,354
Less amounts classified as held for sale at 31 December	4	-	(786)	(4)	-	(790)
At 31 December 2022		330	1,030	177	27	1,564
Unrealised gains/(losses) in the period on assets held at end of year		7	(457)	(80)	8	(522)

23. Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

The Company has determined that all of its investments in collective investment schemes are structured entities. These investments are presented in the Statement of financial position as either investment subsidiaries or as Collective investment schemes, in accordance with the Company's accounting policies (see notes 2(k) and 2(l)). In addition, a number of debt security structures and private equity funds have been identified as structured entities. The Company has assessed that it has interests in the following types of structured entity:

- Unit trusts
- OEICs
- SICAVs
- Limited Partnerships
- Private Equity Funds ("PEFs")
- Liquidity funds
- Asset-backed securities
- Collateralised Debt Obligation ("CDOs")
- Other debt structures

The Company's holdings in the above investments are subject to the terms and conditions of the respective fund's prospectus and are susceptible to market price risk arising from uncertainties about future values. The Company holds redeemable shares and units in each of the funds. The funds are managed by asset managers who apply various investment strategies to accomplish their respective investment objectives. All of the funds are managed by asset managers who are compensated by the respective funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee and is reflected in the valuation of each fund.

The Company has not provided any non-contractual financial or other support to any structured entities and there are no current intentions to do so.

The Company's interests in structured entities are held at fair value through profit or loss. Any change in fair value is included in the Statement of comprehensive income in 'net investment income'.

	Notes	2022 £m	2021 £m
Investment subsidiaries	20	70,233	69,222
Equities		330	309
Collective investment schemes		26,917	39,107
Debt securities		2,824	3,720
Less amounts classified as held for sale as at 31 December		(4,279)	(6,265)
		96,025	106,093

The Company's maximum exposure to loss to the interests presented above is the carrying amount of the Company's investments. Once the Company has disposed of its shares or units in a fund, it ceases to be exposed to any risk from that fund.

A complete list of the Company's subsidiaries, including unit trusts and OEICs is included in note 43.

Details of commitments to subscribe to private equity funds are included in note 41.

24. Tax assets and liabilities

	2022 £m	2021 £m
Current Tax		
Current tax recoverable	182	199

There are no amounts recoverable after 12 months (2021: nil).

	2022 £m	2021 £m
Deferred Tax		
Gross deferred tax assets	78	9
Less: offset against deferred tax liabilities	(73)	(9)
Net Deferred tax assets	5	-
Gross deferred tax liabilities	(101)	(164)
Less: offset against deferred tax assets	73	9
Net deferred tax liabilities	(28)	(155)

Movement in deferred tax assets and liabilities

Year ended 31 December 2022

	At 1 January £m	Recognised in the Statement of comprehensive income £m	Foreign exchange difference	At 31 December £m
Expenses and deferred acquisition costs carried forward	(35)	82	(2)	45
Deferred income	2	-	-	2
Unrealised gains on investments	(122)	52	-	(70)
	(155)	134	(2)	(23)

Year ended 31 December 2021

	At 1 January £m	Recognised in the Statement of comprehensive income £m	Foreign exchange difference	At 31 December £m
Expenses and deferred acquisition costs carried forward	(32)	(4)	1	(35)
Deferred income	2	-	-	2
Unrealised gains on investments	(68)	(54)	-	(122)
	(98)	(58)	1	(155)

The standard rate of UK corporation tax for the accounting period is 19% (2021: 19%).

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

The Finance Act 2012 introduced new rules for the taxation of insurance companies, with effect from 1 January 2013. The deferred tax on the non-profit surplus has reversed and was replaced with IFRS transitional adjustments. The deferred tax on the transitional adjustments is being amortised over a 10 year period on a straight line basis commencing 2013 and ending in 2022 as the IFRS tax transitional adjustment is brought into account in the current tax computations.

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

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

The Company has no unrecognised deferred tax assets (2021: nil).

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.

HMRC issued a communication to taxpayers who are affected by the dividend GLO but not direct participants of it, in January 2020, setting out their intended approach to settling enquiries into the amount of double tax relief available for statutory protective or other claims. In view of the large number of cases involved HMRC are currently unable to offer a specific date by which they will be able to deal with the various claims outstanding.

The Company was a late joiner to the GLO in December 2012 and has made statutory protective tax claims totalling c£5m for the benefit of policyholders based on the Supreme Court decision. HMRC has challenged the validity of such claims and is currently considering further tax litigation in this area against other third parties. Due to the uncertainty around the potential success of the claims a tax asset has not been recognised in respect of these claims.

25. Deferred acquisition costs

	Notes	2022 £m	2021 £m
At 1 January		249	286
Additions	9	3	2
Amortisation charge		(25)	(30)
Impairment		(7)	-
Foreign exchange adjustment		6	(9)
		226	249
Less amounts classified as held for sale at 31 December	4	(5)	(7)
At 31 December		221	242
Amount recoverable after 12 months		208	221
Related to contracts with customers: deferred acquisition costs on non-participating investment contracts		105	119

A DAC Impairment is required when carrying value is in excess of its recoverable value. For each product cohort, the net DAC asset is compared against the equivalent present value of in-force business (PVIF). For German with profit business, the carrying value of £129m was in excess of the PVIF of £122m and so a £7m DAC impairment was recognised.

26. Prepayments and accrued income

	Notes	2022 £m	2021 £m
Prepayments		0	15
Accrued income	21	59	53
		59	68

27. Other receivables

	2022 £m	2021 £m
Investment broker balances	110	48
Collateral pledged	562	130
Amounts due from related parties	33	33
Property related receivables	131	124
Premium tax relief	29	30
Initial margins	211	210
Other receivables	95	72
	1,171	647

There are no amounts recoverable after 12 months (2021: nil).

28. Cash and cash equivalents

	Notes	2022 £m	2021 £m
Bank and cash balances		603	253
Short-term deposits (including demand and time deposits)		113	755
Less amounts classified as held for sale		(33)	(76)
Total cash and cash equivalents	21	**683**	**932**
Bank overdrafts	33	(17)	(19)
Total cash and cash equivalents for statement of cash flows		**666**	**913**

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

29. Share capital

	2022 £m	2022 Number	2021 £m	2021 Number
Issued and fully paid:				
Ordinary shares of £0.01 each	25	2,468,403,162	25	2,468,403,162
Non-voting 'B' ordinary shares of £1 each	5	5,000,000	5	5,000,000
	30	2,473,403,162	30	2,473,403,162

The holders of the £0.01 ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits. On 31 March 2021 850m of shares were issued at par to the parent company, Phoenix Group Holdings plc.

The holders of 'B' ordinary shares are entitled to a discretionary non-cumulative dividend accruing at a specified rate per annum. The 'B' ordinary shares do not confer any further right of participating in the profits or assets of the Company other than as specified.

30. Other reserves

	Foreign currency translation reserve £m	Capital contribution reserve £m	Special reserve £m	Restructuring reserve £m	Total £m
At 1 January 2022	24	14	661	(154)	545
Exchange differences on translating foreign operations	9	-	-	-	9
At 31 December 2022	33	14	661	(154)	554
At 1 January 2021	33	14	661	(154)	554
Exchange differences on translating foreign operations	(9)	-	-	-	(9)
At 31 December 2021	24	14	661	(154)	545

Capital contribution reserve
In August 2010, Standard Life plc made a capital contribution to the Company of £14m, which is considered distributable.

Special reserve
On 21 July 2006, the Court of Session confirmed the cancellation of the Company's entire share premium account of £1,766m. Following the reduction, a special reserve was created for the same amount against which was written off the sum of £1,005m, being the debit reserve which arose from the application of merger accounting principles to the demutualisation transaction and which represented the difference between the fair value and the book value of the life business assets and liabilities of SLAC at the time they were transferred to the Company. The special reserve forms part of the Company's distributable profits. In 2012, a dividend of £100m was paid from the special reserve. This reserve is considered fully distributable.

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

31. Liabilities under insurance contracts

	Gross liabilities 2022 £m	Reinsurers' share 2022 £m	Gross liabilities 2021 £m	Reinsurers' share 2021 £m
Life assurance business:				
Insurance contracts	21,212	2,327	28,080	3,044
Investment contracts with DPF	12,048	-	14,214	-
	33,260	2,327	42,294	3,044
Amounts due for settlement after 12 months	28,755	2,011	37,394	2,723

	Gross liabilities 2022 £m	Reinsurers' share 2022 £m	Gross liabilities 2021 £m	Reinsurers' share 2021 £m
At 1 January	42,294	3,044	45,350	3,555
Premiums	891	12	948	13
Claims	(2,933)	(359)	(2,976)	(376)
Other changes in liabilities	(7,685)	(370)	(41)	(148)
Foreign exchange adjustments	693	-	(987)	-
At 31 December	33,260	2,327	42,294	3,044

Included in other changes in liabilities are changes in assumptions and economic and non-economic experience. The reduction in gross liabilities in the year relates to market movements, primarily the increase in yields and fall in equity values, as well as business run-off.

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 swap curve plus 36bps.
- For non-participating insurance contract liabilities, the Company makes an explicit adjustment to the risk-free rate to adjust for illiquidity in respect of assets backing illiquid liabilities.
- For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit margin for demographic risks.

Demutualisation

Following demutualisation, it is necessary to recognise the residual estate in the HWPF as a liability within participating contract liabilities, since this will in due course be distributed to existing HWPF policyholders if it is not otherwise required to meet liabilities chargeable to the HWPF in accordance with the Scheme. The movement for the year therefore, includes the movement in the residual estate.

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 2022 £m	Increase/ (decrease) in insurance liabilities 2021 £m
Change in longevity assumptions	(39)	(101)
Change in expense assumptions	24	95
Change in other assumptions	(34)	-

The impact of COVID-19 continues to be monitored on a regular basis, however given the uncertainty no adjustments have been deemed appropriate to date, as it remains too early to determine what the medium-long term impacts are likely to be and impacts may either reduce or increase future life expectancy.

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

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

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

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

Sensitivities
Financial and insurance risk sensitivities are set out in note 40.

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 £52m (2021: £113m).

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.

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 and reinsurers' share of insurance contract liabilities within the Statement of financial position.

2022	Gross		Reinsurance	
	Insurance contracts £m	Investment contracts with DPF £m	Insurance contracts £m	Investment contracts with DPF £m
With-profits funds				
Pensions				
Deferred annuities – with guarantees	841	-	-	-
Deferred annuities – without guarantees	-	-	-	-
Immediate annuities	3,788	-	2,275	-
Unitised with-profits	7,040	11,983	-	-
Total pensions	11,669	11,983	2,275	-
Life				
Immediate annuities	119	-	-	-
Unitised with-profits	4,788	61	-	-
Life with-profits	181	-	-	-
Total life	5,088	61	-	-
Other	104	(1)	35	-
Non-profit funds				
Deferred annuities – without guarantees	-	-	-	-
Immediate annuities	3,786	-	11	-
Protection	57	-	6	-
Unit-linked	490	-	-	-
Other	18	5	-	-
	21,212	12,048	2,327	-

2021	Gross		Reinsurance	
	Insurance contracts £m	Investment contracts with DPF £m	Insurance contracts £m	Investment contracts with DPF £m
With-profits funds				
Pensions				
Deferred annuities – with guarantees	1,315	-	-	-
Deferred annuities – without guarantees	-	-	-	-
Immediate annuities	4,898	-	2,978	-
Unitised with-profits	9,276	14,149	-	-
Total pensions	15,489	14,149	2,978	-
Life				
Immediate annuities	172	-	-	-
Unitised with-profits	5,929	63	-	-
Life with-profits	229	-	-	-
Total life	6,330	63	-	-
Other	122	(1)	42	-
Non-profit funds				
Immediate annuities	5,370	-	16	-
Protection	21	-	7	-
Unit-linked	652	-	-	-
Other	96	3	-	-

28,080	14,214	3,043	-

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. For the HWPF, under the Scheme, shareholders are entitled to receive certain defined cash flows arising on specified blocks of UK and Irish business.

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. In addition, certain unit prices in the HWPF are guaranteed not to decrease.

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.

32. Unallocated surplus

	Notes	2022 £m	2021 £m
At 1 January		380	414
Recognised in the Statement of comprehensive income	38	(8)	(173)
Foreign exchange adjustment		(79)	139
At 31 December		293	380

33. Other financial liabilities

	Notes	2022 £m	2021 £m
Obligations for repayment of collateral received		894	2,086
Amounts due to related parties	42	47	37
Property related liabilities		36	56
Bank overdraft	28	17	19
Investment broker balances		85	58
Other		124	117
		1,203	2,373

Further information on the Company's collateral arrangements is also provided in note 21.

34. Provisions

	Known Incidents £m
At 1 January 2022	36
Additions in the year	25
Utilised during the year	(5)
Released during the year	(13)
At 31 December 2022	43

Known incidents
Known incidents relate to historical data quality, administration systems problems and process deficiencies on the policy administration and operational finance systems.

During the year, a net increase of £16 million was made to the provision relating to errors in final encashment calculations for With Profits Trustee Investment Plans. It is expected that the majority of the provision will be utilised within two to five years.

A number of known incident provisions mainly relating to tax settlements were released during the year.

35. Lease liabilities

	2022	2021
	£m	£m
As at 1 January	21	17
Additions	2	5
Disposals	(4)	-
Interest expense	1	1
Lease payments	(1)	(1)
Remeasurements	2	(1)
As at 31 December	21	21
Amount due for settlement after 12 months	20	20

Maturity analysis - contractual undiscounted cash flows	2022	2021
	£m	£m
Less than one year	1	1
More than one year and no later than five years	2	2
More than five years	65	59

36. Other payables

	2022	2021
	£m	£m
Other payables	45	33
	45	33

There are no amounts due for settlement after 12 months (2021: nil).

37. Accruals and deferred income

		2022	2021
		£m	£m
Accruals		97	113
Deferred income reserve		29	34
		126	147
Less amounts classified as held for sale at 31 December	4	(38)	(56)
		88	91
Amount due for settlement after 12 months		19	73

Movement in deferred income reserve	Notes	2022	2021
		£m	£m
At 1 January		34	43
Amortisation	6, 38	(6)	(11)
		28	32
Less amounts classified as held for sale at 31 December	4	1	2
At 31 December		29	34

Remaining performance obligations
The practical expedient under IFRS 15 has been applied and remaining performance obligations are not disclosed as the Company has the right to consideration from customers in amounts that correspond with the performance completed to date. Specifically management charges become due over time in proportion to the Company’s administration of customers’ life or pension products.

38. Cash flows

Cash flows from operating activities

	Notes	2022 £m	2021 £m
Profit for the year before tax from continuing operations		105	126
Profit / (loss) for the year before tax from discontinued operations	4	3	(15)
Non-cash movements in profit for the year before tax from continuing and discontinued operations			
Fair value (gains)/losses on:			
Investment property	16	1,015	(831)
Subsidiaries held for investment purposes	20	6,629	(4,952)
Other financial assets and liabilities		2,777	7,930
Impairment of investment in strategic subsidiaries		10	-
Amortisation of:			
Intangible assets	14	4	10
Deferred acquisition costs	25	25	30
Deferred income	37	(6)	(11)
Reversal of impairment on property and equipment	15	-	(1)
Change in unallocated surplus	32	(8)	(173)
Interest expense on other borrowings		9	1
Interest expense on lease liabilities		(1)	-
Foreign exchange loss		9	(9)
Changes in operating assets and liabilities			
Change in investment assets		(540)	5,128
Change in net derivative assets/liabilities		(81)	(251)
Change in obligations for repayment of collateral received		(1,192)	(1,127)
Change in insurance assets		716	520
Change in deposits received from reinsurers		(865)	(457)
Change in other assets		2,880	11,712
Change in other liabilities		(3,380)	(11,599)
Change in insurance contract and investment contract liabilities		(7,997)	(6,251)
Cash generated/(absorbed) by operations		112	(220)

Supplementary disclosures on cash flow from operating activities

	2022	2021
Interest received	525	617
Dividends received	1,821	976

39. Capital management

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

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

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

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

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

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

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

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

Surplus funds in the with-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 estimated SII surplus position (unaudited) at 31 December 2022 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.

40. Risk management

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 2022 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.

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.

(a) 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 cross-cutting 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 a risk metrics and targets framework, and establishing appropriate governance and risk management processes. The Group has adopted a proactive approach towards combatting climate change, 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 Task Force for Climate-related Financial Disclosures (TCFD) within the Group's 2022 Annual Report and Accounts.

(b) 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

(c) Financial risks

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

Responsibility for agreeing the financial risk profile rests with the Board, as advised by investment managers, internal committees and the actuarial function. In setting the risk profile, the Board will receive advice from the Chief Investment Officer, the With-Profit Actuaries and the Chief Actuary as to the potential implications of that risk profile on the probability of both realistic insolvency and of failing to meet the regulatory minimum capital requirement. The Chief Actuary will also advise the extent to which the investment risk assumed is consistent with the Company's commitment to deliver fair customer outcomes.

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

(d) Financial Soundness: Liquidity and funding risk

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

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

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

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

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

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

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

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

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

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

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

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis, despite the market volatility caused by the current high levels of inflation and interest rate increases from most of the world central banks including the Bank of England.

(e) Contractual undiscounted maturities

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's undiscounted financial liabilities and associated interest. The contractual maturities of liabilities under insurance contracts are included based on the estimated timing of the amounts recognised in the Statement of financial position in accordance with the requirements of IFRS 4:

2022

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	Total £m
Liabilities under insurance contracts	4,505	10,616	18,139	33,260
Investment contracts	88,900	-	-	88,900
Deposits received from reinsurers	349	589	1,392	2,330
Derivatives	37	315	3,031	3,383
Other financial liabilities	1,203			1,203
Reinsurance payables	52	-	-	52
Payables related to direct insurance contracts	281	-	-	281
Lease liabilities	1	2	65	68
Accruals and deferred income	57	57	12	126
Other payables	39	-	-	39

2021

	1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	Total £m
Liabilities under insurance contracts	4,900	12,088	25,306	42,294
Investment contracts	99,731	-	-	99,731
Deposits received from reinsurers	387	726	2,083	3,196
Derivatives	73	281	106	460
Other financial liabilities	2,373			2,373
Reinsurance payables	77	-	-	77
Payables related to direct insurance contracts	298	-	-	298
Lease liabilities	1	2	59	62
Accruals and deferred income	74	59	14	147
Other payables	33	-	-	33

(f) 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 39 gives more detail on how capital and capital management risk are managed.

(g) 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.

(h) Market risk

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

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

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

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

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

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

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

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

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

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

(i) Market Risk: Interest rate and inflation risk

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

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

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

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

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

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

(j) Market Risk: Currency risk

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

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

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

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

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

(k) Market Risk: Equity and property price risk

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

Equity and property price risk is primarily borne in respect of assets held in with-profits funds, unit-linked funds**.** For unit-linked funds this risk is borne by policyholders and asset movements directly impact unit prices and hence policy values. For with-profits funds policyholders' future bonuses will be impacted by the investment returns achieved and hence the price risk. In addition some equity investments are held in respect of owners' funds.

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

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

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

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

(l) Credit risk

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

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

- Credit risk which results from direct investment activities, including investments in debt securities, derivative counterparties, collective investment schemes, hedge funds and the placing of cash deposits; and

- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include premium payments, outsourcing contracts, and reinsurance agreements and the lending of securities.

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

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

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

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

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

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

The shareholders' exposure to credit risk arising from investments held in the with-profits funds is similar in purpose to that disclosed for market risk exposures in section (h). The financial assets of the HWPF include £2,321m of debt securities deposited back under the terms of an external annuity reinsurance transaction, the transaction having been structured in this manner specifically to mitigate credit risks associated with reinsurer default. Credit losses and defaults within the portfolio of assets are borne by the external reinsurer.

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

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

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

Collateral
The credit risk exposure of the Company is mitigated, in certain circumstances, by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the

counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. The use of collateral is governed by formal contractual agreements between the parties.

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

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

(m) Quality of credit assets

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

2022

	AAA £m	AA £m	A £m	BBB £m	BB and below £m	Internally rated £m	Non-Rated £m	Unit Linked £m	Total £m
Loans and deposits	-	-	-	-	-	-	510	-	510
Derivatives	-	1,252	339	-	-	-	389	58	2,038
Debt securities	1,995	4,151	2,780	1,030	31	972	79	4,087	15,125
Reinsurers' share of insurance contract liabilities	-	2,324	4	-	-	-	-	-	2,328
Reinsurers' share of investment contract liabilities	-	-	-	-	-	-	-	2,776	2,776
Cash and cash equivalents	-	-	50	-	-	-	-	666	716
Less: amounts classified as held for sale	-	-	-	-	-	-	-	(1,655)	(1,655)
	1,995	7,727	3,173	1,030	31	972	978	5,932	21,838

The Company had no material assets which were impaired (2021: £nil). No financial assets (2021: £4m) were past due by less than 3 months and not impaired.

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

Debt securities were internally rated as follows:

	2022 £m	2021 £m
Credit rating		
AAA	19	25
AA	109	157
A	231	279
BBB	449	378
BB and below	164	153
	972	992

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

Credit ratings have not been disclosed in the above tables for the assets of the unit-linked funds since the shareholder is not directly exposed to credit risks from these assets. Included in unit-linked funds are assets which are held as reinsured external fund links. Under certain circumstances, the shareholder may be exposed to losses relating to the default of the reinsured external fund link. These exposures are actively monitored and managed by the Company and the Company considers the circumstances under which losses may arise to be very remote.
For reinsurance assets, where the counterparty is part of a group and a rating only exists for the parent of the group, then the rating of the parent company has been used where appropriate.

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

The Company is exposed to the following elements of Insurance risk:

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

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

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

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

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

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

For the Company's Open Business, new business growth is driven by product segments such as Workplace unit-linked pensions. These types of products expose the Company to persistency and expense risks.

There remains uncertainty around future demographic experience as a result of COVID-19, as outlined in the Strategic Report risk section.

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

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

(o) Customer risk

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

- **Customer Treatment:** Failings in the design and execution of the support and service interactions with customers leads to poor customer outcomes.
- **Customer Transformation:** The design, governance and oversight of Strategic Customer Transformation Activity in retained functions and service providers, fails to deliver on reasonable customer expectations, taking account of the Phoenix Group customer treatment risk appetites and regulatory requirements.
- **Product and Propositions:** Products/propositions are not designed and managed appropriates leading to poor customer outcomes.
- **Sales and Distribution:** Inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes.

The Group's Conduct Risk Appetite (which applies to the Company), sets the boundaries within which the Company expect customer outcomes to be managed. In addition, The Group Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions.

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

(p) Operational risk

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

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

- Indirect exposures through our outsourcing service providers (OSPs) and suppliers;
- Direct exposures through internal practices, actions or omissions;
- External threats from individuals or groups focused on malicious or criminal activities, or on external events occurring which are not within the Company's control; and
- Negligence, 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 operational risks from the Company as operational risk is inherent in any operating environment particularly given the regulatory framework under which the Company operates. As such the Company will tolerate a degree of operational risk subject to appropriate and proportionate levels of control around the identification, management and reporting of such risks.

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

(q) Financial and insurance risk sensitivities

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

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

	2022	2021
	Effect on profit after tax and equity	Effect on profit after tax and equity
	£m	£m
100bp widening of credit spreads	(1)	6
100bp narrowing of credit spreads	3	(1)
100bp increase in interest rates	(22)	(42)
100bp decrease in interest rates	21	50
10% increase in equity and property prices	(70)	(50)
10% decrease in equity and property prices	123	85
5% increase in assurance mortality	(2)	(2)
5% decrease in assurance mortality	2	2
5% increase in annuitant longevity	(97)	(149)
5% decrease in annuitant longevity	97	149
10% increase in lapse rates	-	1
10% decrease in lapse rates	-	(1)

Limitations

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

41. Commitments

	2022	2021
	£m	£m
To subscribe to private equity funds and other unlisted assets	360	157
To purchase, construct or develop investment property	44	172
For repairs, maintenance or enhancements of investment property	6	4
	410	333

42. Related party transactions

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

Reinsurance accepted and ceded

The Company acts as both reinsurer and the cedant in reinsurance transactions with SLIDAC, a fellow group company, and additionally accepts reinsurance from SLPF, a subsidiary of the Company.

	Notes	2022 £m	2021 £m
Reinsurance accepted from fellow subsidiaries:			
Premiums written		632	641
Policyholder claims		791	696
Revenue earned from group companies		5	6
Reinsured expenses		57	58
Fellow subsidiary: Share of investment contract liabilities		614	743
Fellow subsidiary: Share of insurance contract liabilities		11,589	14,762
Subsidiary: Share of insurance contract liabilities		5	8
Fellow subsidiary: Reinsurance Payables		52	77
Reinsurance ceded to fellow subsidiaries:			
Reinsurers' share of investment contract liabilities		626	757

	Notes	2022 £m	2021 £m
Income earned from related parties			
Dividends received from subsidiaries		631	391
Interest received from subsidiaries		3	6
Interest received from parent		10	5
Expenses charged by related parties			
Management services provided by subsidiary		382	317
Investment management services provided by fellow subsidiary		47	36
Amounts due from related parties			
Loans due from subsidiaries	18	194	189
Other amounts due from subsidiaries		1	7
Amounts due from fellow subsidiaries		-	15
Loans due from parent	18	309	300
Amounts due from parent		-	11
		504	522
Amounts due to related parties			
Amounts due to subsidiaries		27	18
Amounts due to fellow subsidiaries		20	19
		47	37

Where financial instruments arising from transactions with related parties are offset in the statement of financial position the net position is presented in the tables above.

Subsidiaries

SLAESL provides management services to the Company, in the form of staff and other services.

Fellow subsidiaries

Phoenix Unit Trust Managers Limited ("PUTM") provides investment management services to the Company, under an investment management agreement.

PGMS and PGS provide management services to the Company, in the form of staff and other services.

Loans receivable
Further details of loans receivable from Group companies are given in note 18.

Dividends
£295m of dividends were paid to PGH during the year (2021: £nil).

Other
Prior year balances for amounts due from fellow subsidiaries and amounts due from parent consist of Group relief received. To harmornise our approach with other Group entities, these have not been disclosed.

Transactions with key management personnel
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 10.

	2022 £000	2021 £000
Key management personnel and their close family members transactions with Pensions and Savings products sold by the Group:		
Contributions in the year	11	459
Transfer out of investments in the year	(19)	(450)
Value of investments at year end	3,047	3,381

43. Listing of subsidiaries

The subsidiaries of the Company held for strategic purposes and measured at cost less impairment are as follows:

Company name	Type and % of holding	Country of Incorporation or Residence	Address
3 St Andrew Square Apartments Limited	Ordinary Shares, 100%	Scotland	1
abrdn Private Equity Opportunities Trust plc	Investment trust, 51%	Scotland	1
Clyde Gateway Management Company	Ordinary Shares, 100%	Scotland	1
G Park Management Company Limited	Ordinary Shares, 100%	England and Wales	7
Gallions Reach Shopping Park (Nominee) Limited	Ordinary Shares, 50%	England and Wales	7
Iceni Nominees (No. 2) Limited	Ordinary Shares, 100%	England and Wales	7
Inhoco 3107 Limited	Ordinary Shares, 50%	England and Wales	7
SL (NEWCO) Limited	Ordinary Shares, 100%	Scotland	34
SLACOM (No.10) Limited	Ordinary Shares, 100%	Scotland	34
SLACOM (No.8) Limited	Ordinary Shares, 100%	Scotland	34
SLACOM (No.9) Limited	Ordinary Shares, 100%	Scotland	34
SLIF Property Investment GP Limited	Ordinary Shares, 100%	Scotland	1
Standard Life Agency Services Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Assets and Employee Services Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Assurance (HWPF) Luxembourg S.à.r.l.	Ordinary Shares, 100%	Luxembourg	8
Standard Life Investment Funds Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Lifetime Mortgages Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Master Trust Co. Ltd	Ordinary Shares, 100%	England and Wales	3
Standard Life Pension Funds Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Property Company Limited	Ordinary Shares, 100%	Scotland	34
Standard Life Trustee Company Limited	Ordinary Shares, 100%	Scotland	34
The Heritable Securities and Mortgage Investment Association Limited	Ordinary Shares, 100%	Scotland	34
The Standard Life Assurance Company of Europe B.V	Ordinary Shares, 100%	The Netherlands	21
Vebnet (Holdings) Limited	Ordinary Shares, 100%	England and Wales	3
Vebnet Limited	Ordinary Shares, 100%	Scotland	34
Welbrent Property Investment Company Limited	Ordinary Shares, 100%	England and Wales	7

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

Company name	Type and % of holding	Country of Incorporation or Residence	Address
28 Riberia de Loira SL	Ordinary Shares, 100%	Spain	23
330 Avenida de Aragon	Ordinary Shares, 100%	Spain	16
Aberdeen Standard Liquidity Fund (Lux)			
Seabury Euro Liquidity 1 Fund	SICAV, 100%	Luxembourg	8
Seabury Sterling Liquidity 2 Fund	SICAV, 100%	Luxembourg	8
Aberdeen Standard SICAV I			
Global Government Bond Fund	SICAV, 60%	Luxembourg	8
Aberdeen Standard SICAV II			
Absolute Return Global Bond Strategies Fund	SICAV, 59%	Luxembourg	8
China Equity Fund	SICAV, 55%	Luxembourg	8
Emerging Market Government Bond Fund	SICAV, 98%	Luxembourg	8
Emerging Market Local Currency Debt Fund	SICAV, 53%	Luxembourg	8
Euro Corporate Bond Fund	SICAV, 23%	Luxembourg	8
Euro Government All Stocks Fund	SICAV, 100%	Luxembourg	8
Global Corporate Bond Fund	SICAV, 63%	Luxembourg	8
Global High Yield Bond Fund	SICAV, 32%	Luxembourg	8
Global REIT Focus Fund	SICAV, 55%	Luxembourg	8
Global Short Dated Corporate Bond Fund	SICAV, 89%	Luxembourg	8
Aberdeen Standard UK Retail Park Trust	Unit Trust, 57%	Jersey	29
Aberdeen Standard UK Shopping Centre Trust	Unit Trust, 31%	Jersey	29
abrdn (Lothian) Active Plus Bond Trust	Unit Trust, 100%	Scotland	1
abrdn (Lothian) European Trust	Unit Trust, 96%	Scotland	1
abrdn (Lothian) European Trust II	Unit Trust, 100%	Scotland	1
abrdn (Lothian) Global Equity Trust II	Unit Trust, 100%	Scotland	1
abrdn (Lothian) International Trust	Unit Trust, 100%	Scotland	1
abrdn (Lothian) Japan Trust	Unit Trust, 80%	Scotland	1
abrdn (Lothian) North American Trust	Unit Trust, 99%	Scotland	1
abrdn (Lothian) Pacific Basin Trust	Unit Trust, 91%	Scotland	1
abrdn (Lothian) Short Dated UK Government Bond Trust	Unit Trust, 100%	Scotland	1
abrdn (Lothian) UK Corporate Bond Trust	Unit Trust, 100%	Scotland	1
abrdn (Lothian) UK Equity General Trust	Unit Trust, 99%	Scotland	1
abrdn (Lothian) UK Government Bond Trust	Unit Trust, 100%	Scotland	1
abrdn ACS I			
abrdn Index World Equity Fund	OEIC, 98%	England and Wales	17
abrdn Sustainable Index UK Equity Fund	OEIC, 77%	England and Wales	17
abrdn Diversified Growth Fund	Unit trust, 25%	England and Wales	17
abrdn Dynamic Distribution Fund	Unit Trust, 62%	England and Wales	17
abrdn Global Absolute Return Strategies Fund	Unit Trust, 62%	Scotland	1
abrdn Global Real Estate Fund	Unit Trust, 28%	Scotland	1
abrdn Global Strategic Bond Fund	Unit Trust, 91%	Scotland	1
abrdn Life Unit Linked Fund			
abrdn Life Multi-Asset Fund	Unit linked funds, 55%	England and Wales	7
abrdn Life Sterling Credit Bond Fund	Unit linked funds, 65%	England and Wales	7
ASI Life Sterling Bond Fund	Unit linked funds, 21%	England and Wales	7
ASI Life UK & Global (50/50) Equity Fund	Unit linked funds, 30%	England and Wales	7
abrdn OEIC I			
abrdn (SLI) Corporate Bond Fund	OEIC, 36%	England and Wales	17

Company name	Type and % of holding	Country of Incorporation or Residence	Address
abrdn Emerging Markets Equity Fund	OEIC, 49%	England and Wales	17
abrdn Japan Equity Fund	OEIC, 24%	England and Wales	17
ASI Multi-Asset Fund	OEIC, 28%	England and Wales	17
abrdn OEIC II			
abrdn American Income Equity Fund	OEIC, 74%	Scotland	1
abrdn American Unconstrained Equity Fund	OEIC, 77%	Scotland	1
abrdn Emerging Markets Income Equity Fund	OEIC, 77%	Scotland	1
abrdn Europe ex UK Income Equity Fund	OEIC, 22%	Scotland	1
abrdn Global Focused Equity Fund	OEIC, 47%	Scotland	1
abrdn High Yield Bond Fund	OEIC, 21%	Scotland	1
abrdn Investment Grade Corporate Bond Fund	OEIC, 38%	Scotland	1
abrdn UK High Income Equity Fund	OEIC, 49%	Scotland	1
abrdn UK Opportunities Equity Fund	OEIC, 55%	Scotland	1
abrdn UK Smaller Companies Fund	OEIC, 27%	Scotland	1
abrdn OEIC III			
abrdn Multi-Manager V Fund	OEIC, 57%	Scotland	1
abrdn MyFolio Managed I Fund	OEIC, 74%	Scotland	1
abrdn MyFolio Managed II Fund	OEIC, 74%	Scotland	1
abrdn MyFolio Managed III Fund	OEIC, 82%	Scotland	1
abrdn MyFolio Managed IV Fund	OEIC, 67%	Scotland	1
abrdn MyFolio Managed V Fund	OEIC, 74%	Scotland	1
abrdn MyFolio Market I Fund	OEIC, 42%	Scotland	1
abrdn MyFolio Market II Fund	OEIC, 45%	Scotland	1
abrdn MyFolio Market III Fund	OEIC, 53%	Scotland	1
abrdn MyFolio Market IV Fund	OEIC, 50%	Scotland	1
abrdn MyFolio Market V Fund	OEIC, 60%	Scotland	1
abrdn MyFolio Monthly Income II Fund	OEIC, 26%	Scotland	1
abrdn MyFolio Monthly Income III Fund	OEIC, 55%	Scotland	1
abrdn MyFolio Multi-Manager I Fund	OEIC, 51%	Scotland	1
abrdn MyFolio Multi-Manager II Fund	OEIC, 53%	Scotland	1
abrdn MyFolio Multi-Manager III Fund	OEIC, 62%	Scotland	1
abrdn MyFolio Multi-Manager Income IV Fund	OEIC, 53%	Scotland	1
abrdn MyFolio Multi-Manager IV Fund	OEIC, 56%	Scotland	1
abrdn OEIC IV			
abrdn Global Inflation-Linked Bond Tracker Fund	OEIC, 50%	England and Wales	17
abrdn Short Dated Global Corporate Bond Tracker Fund	OEIC, 90%	England and Wales	17
abrdn Short Dated Sterling Corporate Bond Tracker Fund	OEIC, 78%	England and Wales	17
ASI Emerging Markets Local Currency Bond Tracker Fund	OEIC, 44%	England and Wales	17
abrdn OEIC V			
abrdn Ethical Corporate Bond Fund	OEIC, 53%	Scotland	1
abrdn Europe ex UK Ethical Equity Fund	OEIC, 78%	Scotland	1
abrdn Global Real Estate Share Fund	OEIC, 48%	Scotland	1
abrdn Short Dated Corporate Bond Fund	OEIC, 73%	Scotland	1
abrdn Short Duration Global Inflation-Linked Bond Fund	OEIC, 29%	Scotland	1
abrdn UK Income Unconstrained Equity Fund	OEIC, 88%	Scotland	1
abrdn UK Real Estate Feeder Fund	Unit trust, 26%	England and Wales	17
abrdn UK Real Estate Fund	OEIC, 28%	England and Wales	17

Company name	Type and % of holding	Country of Incorporation or Residence	Address
ASIMT American Equity Unconstrained Fund	Unit Trust, 26%	Scotland	1
ASIMT Global Real Estate Fund	Unit Trust, 77%	Scotland	1
ASIMT Japan Fund	Unit Trust, 76%	Scotland	1
Baillie Gifford UK and Worldwide Equity Fund	OEIC, 25%	Scotland	25
Baillie Gifford UK Equity Core Fund	OEIC, 36%	Scotland	25
Blackrock ACS World Multifactor Equity Tracker Fund	OEIC, 21%	England and Wales	5
BlackRock Aquila Connect Consensus Fund	Unit linked funds, 32%	England and Wales	5
BlackRock Aquila Connect Global Developed Fundamental Weighted Index Fund	UK Pension, 38%	England and Wales	5
BlackRock Aquila Connect Global Minimum Volatility Pension Fund	UK Pension, 34%	England and Wales	5
BlackRock Aquila Connect Overseas Consensus Equity Fund	Unit linked funds, 26%	England and Wales	5
BlackRock Aquila Connect Overseas Fixed Benchmark Equity Fund	UK Pension, 98%	England and Wales	5
BlackRock Ascent Life European Equity Fund	Unit linked funds, 95%	England and Wales	5
BlackRock Ascent Life Overseas Equity Fund	Unit linked funds, 84%	England and Wales	5
BlackRock Ascent Life US Equity Fund	Unit linked funds, 100%	England and Wales	5
BlackRock Market Advantage Fund	Unit Trust, 48%	England and Wales	5
BNY Mellon 50/50 Global Equity Fund	OEIC, 72%	England and Wales	6
BNY Mellon Multi-Asset Global Balanced Newton Fund	OEIC, 26%	England and Wales	6
Crawley Unit Trust	Unit Trust, 100%	Jersey	28
European Strategic Partners GP L.P	Limited Partnership, 50%	Scotland	1
European Strategic Partners II 'C' L.P.	Limited Partnership, 69%	Scotland	1
European Strategic Partners II GP L.P.	Limited Partnership, 46%	Scotland	1
European Strategic Partners L.P.	Limited Partnership, 73%	Scotland	1
Extraverde Property BV	Ordinary Shares, 48%	The Netherlands	33
Ezraya Investments Sp. z o.o.	Ordinary Shares, 48%	Poland	22
Gallions Reach Shopping Park Unit Trust	Unit Trust, 100%	Jersey	28
GREF Almeda Park S.L.U	Ordinary Shares, 48%	Spain	24
GREF Jersey Esplanade Limited	Ordinary Shares, 48%	Jersey	9
GREF Jersey Holdings Limited	Ordinary Shares, 48%	Jersey	9
GREF Jersey Ireland Holdings Limited	Ordinary Shares, 48%	Jersey	9
GREF Jersey Ireland Property Limited	Ordinary Shares, 48%	Jersey	9
GREF Munich Sarl	Ordinary Shares, 48%	Luxembourg	8
Inesia S.A	Ordinary Shares, 100%	Luxembourg	8
Invest Park 3 Sp. z o.o.	Ordinary Shares, 34%	Poland	36
LF Macquarie Global Infrastructure Securities Fund	OEIC, 70%	England and Wales	14
M&G Corporate Bund Fund	OEIC, 24%	England and Wales	4
North American Strategic Partners 2006 L.P.	Limited Partnership, 70%	Scotland	1
North American Strategic Partners 2008 L.P.	Limited Partnership, 100%	Scotland	1
North American Strategic Partners GP L.P.	Limited Partnership, 80%	Scotland	1
North American Strategic Partners L.P.	Limited Partnership, 40%	Scotland	1
P.C. Management Limited	Ordinary Shares, 69%	Ireland	13
Partners Group Phoenix 'A' L.P.	Limited Partnership, 52%	Guernsey	35
Partners Group Phoenix 'B' L.P.	Limited Partnership, 24%	Guernsey	35
Partners Group Phoenix 'C' L.P.	Limited Partnership, 52%	Guernsey	35

Company name	Type and % of holding	Country of Incorporation or Residence	Address
Pilangen Logistik AB	Ordinary Shares, 100%	Sweden	19
Pilangen Logistik I AB	Ordinary Shares, 100%	Sweden	19
PUTM ACS Emerging Market Fund	ACS, 100%	England and Wales	3
PUTM ACS Japan Equity Fund	ACS, 76%	England and Wales	3
PUTM ACS Lothian European ex UK Fund	ACS, 100%	England and Wales	3
PUTM ACS Lothian North American Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Lothian UK Gilt Fund	ACS, 100%	England and Wales	3
PUTM ACS Lothian UK Listed Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Lothian UK Listed Smaller Companies Fund	ACS, 100%	England and Wales	3
PUTM ACS North American Fund	Unit trust, 40%	England and Wales	3
PUTM ACS Sustainable Index Asia Pacific (Ex Japan) Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Sustainable Index Emerging Market Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Sustainable Index European Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Sustainable Index Japan Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Sustainable Index UK Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS Sustainable Index US Equity Fund	ACS, 100%	England and Wales	3
PUTM ACS UK All Share Listed Equity Fund	ACS, 55%	England and Wales	3
PUTM Bothwell Emerging Debt Unconstrained Fund	Unit trust, 68%	England and Wales	3
PUTM Bothwell European Credit Fund	Unit trust, 97%	England and Wales	3
PUTM Bothwell Global Bond Fund	Unit trust, 90%	England and Wales	3
PUTM Bothwell Sterling Credit Fund	Unit trust, 41%	England and Wales	3
PUTM Bothwell Sub-Sovereign Bond Fund	Unit trust, 27%	England and Wales	3
PUTM Bothwell UK All Share Listed Equity Fund	Unit Trust, 48%	England and Wales	3
Schroder life intermediated diversified growth fund	Unit linked funds, 72%	England and Wales	2
Schroder Life QEP Global Active Value Fund	Unit linked funds, 74%	England and Wales	2
Select Japan (GK Holdings UK) Limited	Ordinary Shares, 48%	Scotland	1
Select Japan (TK Holdings UK) Limited	Ordinary Shares, 48%	Scotland	1
Select Japan G.K.	Ordinary Shares, 48%	Japan	30
Select Malta Holdings Limited	Ordinary Shares, 48%	Malta	32
Select Property Holdings (Mauritius) Limited	Ordinary Shares, 48%	Mauritius	11
SL Capital Infrastructure I L.P.	Limited Partnership, 26%	Scotland	1
SLA Belgium No. 1 S.A. β	Ordinary Shares, 100%	Belgium	20
SLA Denmark No.1ApS	Ordinary Shares, 100%	Denmark	18
SLA Denmark No.2ApS	Ordinary Shares, 100%	Denmark	18
SLA Germany No.1 S.à.r.l.	Ordinary Shares, 100%	Luxembourg	8
SLA Germany No.2 S.à.r.l.	Ordinary Shares, 100%	Luxembourg	8
SLA Germany No.3 S.à.r.l.	Ordinary Shares, 100%	Luxembourg	8
SLA Ireland No.1 S.à.r.l.	Ordinary Shares, 100%	Luxembourg	8
SLA Netherlands No.1 B.V.	Ordinary Shares, 100%	The Netherlands	21
SLAL Transition Fund SI European	Unit Trust, 100%	England and Wales	3
SLAL Transition Fund SI GCB	Unit Trust, 100%	England and Wales	3
SLAL Transition Fund SI Japan	Unit Trust, 100%	England and Wales	3
SLAL Transition Fund SI SCB	Unit Trust, 100%	England and Wales	3
SLAL Transition Fund SI US	Unit Trust, 100%	England and Wales	3
SLAL Transition Fund UK Equity	Unit Trust, 100%	England and Wales	3

Company name	Type and % of holding	Country of Incorporation or Residence	Address
Tanjong Pagar PS1 PTE Ltd	Ordinary Shares, 48%	Singapore	27
Tanjong Pagar PS2 PTE Ltd	Ordinary Shares, 48%	Singapore	27
Tanjong Pagar PS3 PTE Ltd	Ordinary Shares, 48%	Singapore	27
Telles Holding S.à r.l.	Ordinary Shares, 48%	Luxembourg	8
Threadneedle American Select Fund	OEIC, 20%	England and Wales	26
UBS Global Optimal Fund	OEIC, 53%	England and Wales	12
Vanguard FTSE Developed Europe Common Contractual Fund	Unit trust, 40%	Ireland	15
Vanguard FTSE Developed Europe ex UK Common Contractual Fund	Unit trust, 96%	Ireland	15
Vanguard FTSE Developed World ex UK Common Contractual Fund	Unit trust, 98%	Ireland	15
Vanguard Global Corporate Bond Index Fund	OEIC, 21%	Ireland	15
Vanguard UK Long Duration Gilt Index Fund	OEIC, 23%	England and Wales	10
Vanguard UK Short-Term Investment Grade Bond Index Fund	OEIC, 44%	Ireland	15
Vanguard US Equity Index Common Contractual Fund	Unit trust, 78%	Ireland	15
VT Argonaut European Alpha Fund	OEIC, 24%	England and Wales	31

Registered office addresses

1 1 George Street, Edinburgh, United Kingdom, EH2 2LL
2 1 London Wall Place, London, EC2Y 5AU
3 1 Wythall Green Way, Wythall, Birmingham, England, B47 6WG
4 10 Fenchurch Avenue, London, EC3M 5AG
5 12 Throgmorton Avenue, London, EC2N 2DL
6 160 Queen Victoria Street, London, EC4V 4LA
7 280 Bishopsgate, London, United Kingdom, EC2M 4AG
8 35a, avenue John F. Kennedy, L-1855, Luxembourg
9 47 Esplanade, St Helier, Jersey, JE1 0BD
10 4th Floor, The Walbrook Building, 25 Walbrook, London, EC4N 8AF
11 4th Floor, Tower A, 1 CyberCity, Ebene, Mauritius
12 5 Broadgate, London, EC2M 2QS
13 5th Floor Beaux Lane House,Mercer Street Lower,Dublin 2,Dublin
14 6th Floor, 65 Gresham Street, London, EC2V 7NQ, United Kingdom
15 70 Sir John Rogerson's Quay, Dublin 2, Ireland
16 Auxadi (Spain) C/ Nanclares de Oca 1 B28022 Madrid
17 Bow Bells House, 1 Bread Street, London EC4M 9HH
18 c/o Citco (Denmark) ApS, Holbergsgade 14, 2. tv., 1057 København K Denmark
19 c/o Citco (Sweden) AB, Strandvägen 7, 114 56 Stockholm Sweden
20 c/o Citco Belgium NVBoulevard Louis Schmidt 87 1040 Bruxelles
21 c/o Citco Nederland B.V. Naritaweg 165 1043 BW Amsterdam The Netherlands
22 c/o New Business Solutions sp. z o. o. Piękna 18 00-549 Warsaw Poland
23 Calle Nanclares de Oca, 1B, 28022 Madrid,
24 Calle Pinar 7, 1ª planta Madrid 28006 Spain
25 Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
26 Cannon Place, 78 Cannon Street, London, EC4N 6AG
27 Citco Singapore Pte Ltd10 Changi Business Park Central 2 #01-02 Hansapoint
28 Elian, 44 Esplanade, St Helier, Jersey, JE4 9WG
29 Elizabeth House, 9 Castle Street, St Helier, Jersey, JE4 2QP
30 GranTokyo South Tower 9F, 1-9-2, Marunouchi, Chiyoda-Ku, Tokyo, Japan
31 Level 13 Broadgate Tower, 20 Primrose Street, London, EC2A 2EW
32 Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's, STJ 3155, Malta
33 Naritaweg 165, 1043 BW Amsterdam, The Netherlands

34 Standard Life House, 30 Lothian Road, Edinburgh, United Kingdom, EH1 2DH
35 Tudor House, Le Bordage, St Peter Port, Guernsey, Channel Islands, GY1 6BD
36 ul. Emilii Plater 53, 00-113, Warszawa, Poland

44. Ultimate parent and ultimate controlling party

The Company's immediate parent 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.