STANDARD LIFE PENSION FUNDS LIMITED

Company Registration Number: SC046447

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

Contents

Strategic report

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

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

Business review

Principal activities

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

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

The Company has historically transacted United Kingdom pension fund business and provided management services for pension funds based in the United Kingdom. The pension fund business consisted of non-participating insurance contracts. These were reinsured with Standard Life Assurance Limited ("SLAL"), formerly the Company's immediate parent undertaking prior to the Part VII transfer.

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.

Climate change: activity in the year and future developments

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

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

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

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

Regulatory developments

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

Key Performance Indicators ("KPIs")

The results of the Company for the year are shown in the Statement of Comprehensive Income on page 17.

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

Capital resources

The Company's solvency position is an important measure of financial strength. As at 31 December 2023 the Company's Solvency II Own funds were £4,140k (2022: £11,137k) and excess of own funds over solvency capital requirement were £645k (2022: £7,508k).

Profitability and investment return

The Company used investment return as a measure of investment performance being the return on its sole investment in Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund prior to the Part VII transfer.

	2023 £'000s	**2022 £'000s**
Investment income	464	153
Balance on long term technical account before tax	470	149

Directors' duties under section 172 of the Companies Act

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

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

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

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

Key stakeholder groups		
Customers	Investors	Government, trade bodies & regulators
As a result of wider Phoenix Group Part VII activity, all our customers transferred to PLL effective 30 September 2023. However, until that point, our customers comprised owners of insurance contracts which are reinsured elsewhere within Phoenix Group. As such, the Board recognised its responsibility and duty to oversee the success of the Company for all its customers.	Our sole owner is PLL. Prior to 27 October 2023, our sole owner was SLAL. As a Phoenix Group company, our ultimate controlling party is Phoenix Group Holdings plc (PGH). Prior to the transfer of its business to PLL, the Board recognised the role it played in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the PRA. The Board acknowledges the importance of maintaining positive relationships with the Company's regulators, particularly in relation to ensuring good outcomes for its customers prior to their transfer to PLL.
How has the Board engaged with and had oversight of stakeholder views during the year?		
When considering the proposed transfer of the Company's business to PLL, the impact of the transaction on its customers was reviewed in detail. Communications to be circulated to the Company's customers about the proposed transfer were also reviewed and signed off.	The governance framework within which the Board operates is designed to facilitate good information flows between, and robust decision-making at, all levels within the Group. The Chair of the Company is also the Chair of its immediate parent, which further strengthens the link between the two.	The Board received updates on management's interactions with regulators and any feedback received from those bodies, particularly in relation to the proposed transfer of the Company's business to PLL.
The Board's role in promoting positive stakeholder relationships		
The Board held management to account throughout the year, ensuring due care and attention was given to good customer outcomes and needs, especially in the context of the transfer of its customers to PLL.	The Board maintains links with its parent through reporting and interaction with the Life Companies Board and its committees as appropriate.	As the guardian of the Company, (ensuring robust governance, controls and risk management) the Board is responsible for holding management to account for day-to-day compliance with regulation and legislation; ensuring transparent communication of such compliance to maintain trust in Phoenix.

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

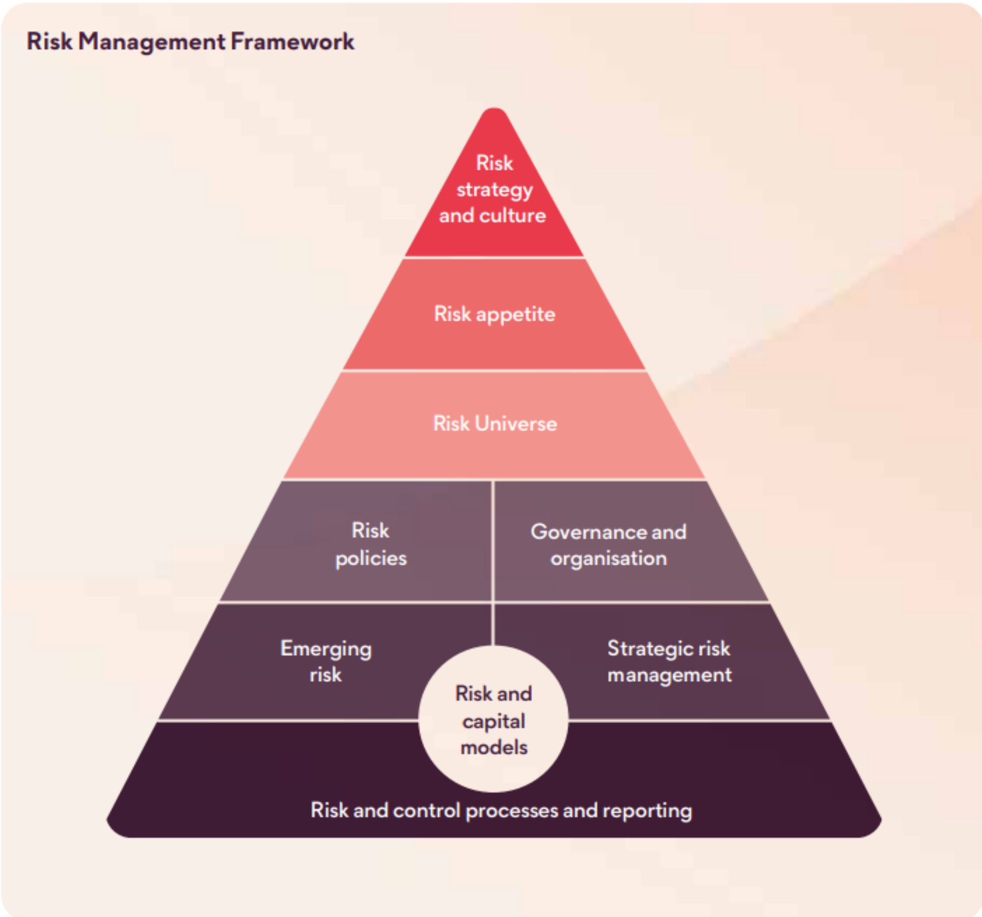
Key Board Decision	**Part VII transfer of business**
STRATEGIC IMPORTANCE: Optimising our in-force business	CONSIDERATION OF S172 MATTERS • During 2023 the Board oversaw arrangements to transfer the business of the Company, together with that of SLAL and Phoenix Life Assurance Limited ('PLAL') into PLL under a Part VII arrangement. Given the size and complexity of the transaction, the Board formally constituted a committee wholly dedicated to oversee delivery of this significant transaction. • As part of its oversight arrangements, the Board committee explicitly considered reports from the Company's Chief Actuary, which set out the impact of the proposed transaction on the Company's policyholders in terms of the security of their benefits and their benefits expectations, as well as the requirement to treat customers fairly. It also considered the findings of an Independent Expert on the impact of the proposed transaction on the Company's policyholders and reviewed policyholder communications ahead of distribution and publication. • From a regulatory and legal perspective, the Board committee reviewed the terms of the transfer itself, together with documentation seeking formal approval from the regulator to waivers to be requested from the Court in respect of the transaction, thereby ensuring high standards of business conduct were met. • Finally, ahead of implementation approval, the Board committee satisfied itself as to operational readiness, designed to deliver a seamless transition from a customer, regulatory and business perspective.
OUTCOME	At each stage of the process and having duly considered the matters set out in section 172 each time, the Board committee considered the impact on its customers and the need to ensure a continued high standard of conduct was delivered during the process, providing the necessary approvals which resulted in the Part VII transfer of business from the Company, SLAL and PLAL into PLL effective 30 September 2023.

KEY BOARD DECISION	**Approval of YE22 Annual Solvency II Pillar 3 Reports**
STRATEGIC IMPORTANCE: Optimising our in-force business	CONSIDERATION OF S172 MATTERS • As part of maintaining a reputation for high standards of business conduct within the Group's annual Solvency II reporting processes, the Board reviewed the Company's Pillar 3 reports prior to submission to the PRA. In doing so it considered a reconciliation of most recent quarterly reporting versus that for the 2022 year end, noting that the Company's solvency position stood significantly above the minimum requirement. It also noted that audit work undertaken up to that point had not highlighted any material issues.
OUTCOME	Following due consideration of the matters set out in section 172 (and to the extent that they pertained to the Company), the Board concluded that the requirements of the Statement of Directors' Responsibilities in the Group Solvency and Financial Condition Report (SFCR) had been met and approved inclusion of the Company-specific sections in the Group SFCR. Finally, it approved the submission of regulatory reporting to the PRA.

KEY BOARD DECISION	**Approval of YE22 Annual Accounts**
STRATEGIC IMPORTANCE: Optimising our in-force business	CONSIDERATION OF S172 MATTERS • As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. • The Board considered supporting paperwork presented by the Financial Reporting team, together with an update on the external audit of the accounts, which had not raised any material findings. • Such consideration enabled the Board to reach a decision to approve the YE22 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 YE22 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate.
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE22 accounts.

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

Principal risks and uncertainties

The Part VII transfer of all Company business into a fellow Group company, PLL, occurred in 2023. The completion of this transfer is a key step toward the sustainable operating model of the Group. From the perspective of the Company, the vast majority of risks have been transferred to PLL.

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Climate; Strategic; Financial; Financial Soundness (Liquidity, Funding, Capital Management, Tax); Market; Credit; Quality of credit assets; Insurance; Customer and Operational risk. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in note 18.

On behalf of the Board

DocuSigned by:

Paul Shakespeare

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

14 June 2024

Directors' report

The Company is incorporated in Scotland. Its registration number is SC046447 and its registered office is Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.

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 18 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. Note 18 and note 19 to the financial statements summarise the Company's capital management and risk objectives and policies together with its financial risks.

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

The Directors have taken note of the net asset position of £4,140k which is predominately held in a highly liquid cash fund and the £645k solvency surplus position of the Company as at 31 December 2023.

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

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, along with the 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.

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:

Arlene Cairns	(appointed 1 April 2024)
Samuel Lever	(resigned 20 March 2024)
John Lister	
Peter Mayes	(resigned 31 March 2024)
Brid Meaney	

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

Matters disclosed in the Strategic report
The Directors' duties section of the Strategic report covers stakeholder engagement.

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

On behalf of the Board

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

14 June 2024

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

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

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

Independent auditor's report to the members of Standard Life Pensions Funds Limited

Opinion

We have audited the financial statements of Standard Life Pension Funds Limited for the year ended 31 December 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 23 (except for that element of note 19 which is marked as unaudited) including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 ''Insurance Contracts'' ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- confirming our understanding of the directors' going concern assessment process, obtained and tested the assessment which covers the period to 30 June 2025.
- performing 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,
- assessing the impact of the Part VII transfer on the Company's going concern and challenged whether there is an intention to wind up the Company during the period to 30 June 2025,
- verifying that the Company is in compliance with the minimum capital requirements post the Part VII transfer, and
- assessing the appropriateness of the going concern disclosure by comparing the disclosure with management's assessment and for compliance with the relevant reporting requirements.

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 2025.

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

Overview of our audit approach

Key audit matters	• Part VII transfer to Phoenix Life Limited
Materiality	• Overall materiality of £200,000 which represents 2% of 30 September 2023 net assets (2022: 2% of closing net assets).

An overview of the scope of our audit

Tailoring the scope

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

We instructed the Central investments component team to audit investment balances and associated income and expenses. 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 our below:

Component	Scope	Auditor
Standard Life Pension Funds Limited (SLPF)	Full	Primary team
Central Investments Component Team	Specific scope	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 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 team which included guidance on areas of focus, including the relevant risks of material misstatement detailed above, and set out the information required to be reported to the primary audit team.

Audit procedures were performed on the full scope component by the primary audit team whilst the remaining one component was audited by the EY component audit team. 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 the component team 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 component gave us appropriate evidence for our opinion on the Company financial statements as a whole.

Changes from the prior year

Due to the Part VII transfer that took place this year, the testing scope for the component team was for the nine months period to 30 September 2023. This is different from prior year when the component teams testing covered the full year.

Climate change

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

As explained in the critical accounting estimates and judgements note 2(a), management has assessed climate change risks as having a limited effect on accounting judgements and estimates for the current period. The note sets out the Company's consideration of the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments and technical provisions.

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

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

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

Key audit matters

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

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Part VII transfer to Phoenix Life Limited *Refer to Accounting policies page 21 and Note 4 of the Financial Statements.* Management has completed a Part VII transfer of the assets and liabilities of Standard Life Pension Funds Limited to Phoenix Life Limited with effective date as at 30 September 2023. There is a risk that the valuation of the assets and liabilities at the date of transfer are not correct and that the accounting treatment and disclosure of the Part VII transfer in the financial statements is not in line with accounting standards. The risk is new in the current year.	To obtain sufficient audit evidence to conclude on the appropriateness of the Part VII transfer, we have: • obtained evidence of the agreement between the entities and evidence of the required regulatory approvals to understand the substance of the transfer. • audited the Statement of financial position as at 30 September 2023. • reviewed the accounting entries made to ensure the appropriate accounting treatment has been adopted in respect of the Part VII transfer. • reviewed the disclosures in the financial statements related to the Part VII transfer.	Based on our procedures performed, we are satisfied that the assets and liabilities were correctly valued at the date of the transfer and that the Part VII transfer has been appropriately accounted for and disclosed in the financial statements.

In the prior year, our auditor's report included a key audit matter in relation to valuation of Insurance Contract Liabilities comprising actuarial assumptions, actuarial modelling and policy holder data. In the current year, this is no longer considered to be key audit matter due to completion of the Part VII transfer of the Company's ongoing business at 30 September 2023.

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 £200,000 (2022: £222,000), which is 2% (2022: 2%) of 30 September 2023 net assets (2022: closing net assets). The primary stakeholders of the Company are its members (primarily concerned with value of the transferred net assets), 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. We have used 30 September 2023 net assets as that is the date that the Part VII transfer was effective from and post this date, the Company only maintained sufficient net assets to meet their minimum capital requirement.

During the course of our audit, we re-assessed initial materiality of £222,000 which was based on forecast net assets. We decreased our materiality to £200,000 to reflect the final net assets as at 30 September 2023.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £100,000 (2022: £111,000). We have set performance materiality at this percentage based on our assessment of the risk of misstatement and our expectation of the quantum and magnitude of uncorrected misstatements.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £10,000 (2022: £11,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 10, 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 as they continued to operate hybrid working throughout 2023.

- 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 statements for the year ending 31 December 2018 to 31 December 2023.

- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 31 December 2018 to 31 December 2023.

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

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

Use of our report

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

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

Statement of comprehensive income
for the year ended 31 December 2023

		2023	2022
Long term business technical account	Notes	£000	£000
Investment income	5	464	153
Unrealised gains / (losses) on investments	5	6	(4)
Claims paid:			
Gross amount	17	(371)	(544)
Reinsurers' share	17	371	544
Claims paid, net of reinsurance		-	-
Change in long term business provision			
Gross amount		1,063	1,562
Reinsurers' share		(1,063)	(1,562)
Change in long term business provision net of reinsurance		-	-
Tax attributable to the long term business		(100)	(28)
Balance on long term business technical account		370	121
Non-technical account			
Balance on long term business technical account		370	121
Tax charge attributable to the balance on the long term business		100	28
Balance on long term technical account before tax		470	149
Tax on ordinary activities	8	(100)	(28)
Profit for the year		370	121
Total comprehensive income for the year		370	121

Statement of financial position
as at 31 December 2023

	Notes	2023 £000	2022 £000
ASSETS			
Investments			
Other financial investments	9	4,120	11,140
Reinsurer's share of technical provisions			
Long-term business provision	17	-	6,031
Other assets			
Cash at bank and in hand	13	2	2
Prepayments and accrued income			
Accrued income	14	18	27
Total assets		4,140	17,200
EQUITY AND LIABILITIES			
Capital and reserves			
Loan capital	15	50	50
Other reserves	16	(7,367)	-
Profit/(loss) account		11,457	11,087
Total capital and reserves		4,140	11,137
Liabilities			
Technical Provisions			
Long-term business provision	17	-	6,031
Creditors			
Other creditors including taxation and social security	12	-	32
Total liabilities		-	6,063
Total equity and liabilities		4,140	17,200

On behalf of the Board

DocuSigned by:

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A Cairns

Director

14 June 2024

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

	Loan capital (note 15)	Other reserves (note 16)	Retained earnings	Total
	£000	£000	£000	£000
Balance at 1 January 2023	50	-	11,087	11,137
Total comprehensive income for the year	-	-	370	370
Part VII transfer of business (note 4)	-	(7,367)	-	(7,367)
Balance at 31 December 2023	50	(7,367)	11,457	4,140

	Loan Capital (note 15)	Retained earnings	Total
	£000	£000	£000
Balance at 1 January 2022	50	10,966	11,016
Total comprehensive income for the year	-	121	121
Balance at 31 December 2022	50	11,087	11,137

Notes to the Financial Statements

1. Basis of preparation

The Company is limited by guarantee of its members. PLL is the sole member and its liability is limited to £1. Further details on the Company are disclosed in the Directors' report.

The financial statements for the year ended 31 December 2023, set out on pages 17 to 37 were authorised by the Board of Directors for issue on 29 May 2024.

The financial statements have been prepared on a historical cost basis except for those financial assets that have been measured at fair value.

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

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

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

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

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

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

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

The financial statements for the year ended 31 December 2022 were prepared under UK adopted international accounting standards ("IFRS"). The date of transition to FRS 102 and FRS 103 was 1 January 2022. Information on the adjustments arising as a result of the transition is given in note 23.

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

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

2. Accounting Policies

a) Critical accounting estimates and judgements

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

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

Financial statement area	Critical accounting estimates and assumptions	Related notes
Business combinations under common control	The Company previously did not have an accounting policy relating to business combinations under common control. In line with UK GAAP, the Company has recognised the loss on the transferred assets and liabilities, measured at the carrying value in the transferring company, within equity.	4

How climate risk affects our accounting estimates and judgments

In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments and insurance 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. Note 18 provides further risk management disclosures in relation to financial risks including sensitivities in relation to credit and market risk.

Insurance 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 prior to the Part VII transfer it was particularly exposed to longevity risk.

b) Income recognition

Investment income and expense

Investment income is comprised of dividend income and realised gains on financial assets at fair value through profit and loss. These are recognised in the Statement of comprehensive income as follows:

- Dividend income - on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.
- Realised gains and losses at fair value through profit and loss – these are the difference between the net sale proceeds and the original cost.

Unrealised gains/losses

Unrealised gains and losses in respect of long term business are included in the long term business technical account.

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

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

c) Transfers of business

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

d) Benefits, claims and expenses recognition

Gross benefits and claims

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

Reinsurance claims

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

e) Non-technical account allocation

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

f) Taxation

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

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

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

g) Dividends

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

h) Financial instruments

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

Financial instruments cover a wide range of financial assets and liabilities, including other financial investments, cash at bank and in hand, certain other debtors and certain other creditors.

Recognition & de-recognition

Financial assets

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

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

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial assets are measured at amortised cost where they have:
- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

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

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

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

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

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

Financial liabilities are designated upon initial recognition at FVTPL where doing so results in more meaningful information because either:
- it eliminates or significantly reduces accounting mismatches that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated and managed on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the investments is provided internally on that basis to the Group's key management personnel.

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

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

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

Fair value measurement

The fair value of financial instruments traded in active markets such as publicly traded securities and derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date.

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.

i) 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.

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.

j) Cash at bank and in hand

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

k) 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 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.

l) Technical provisions

Long-term business provision – insurance contracts

Insurance contract liabilities for non-participating business are calculated on the basis of current data and assumptions using the 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.

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. The principal assumptions are given in note 17.

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

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

3. New and amended accounting standards

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

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

4. Part VII transfer of business

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

In line with the Company's accounting policy the net asset decrease for this business combination under common control was recognised directly in retained earnings.

With the exception of £4,140k of net assets (required to meet the ongoing Minimum Capital Requirement until de-authorisation) all assets and liabilities of the Company were transferred to PLL for nil consideration.

The following table presents the balances transferred from the Company to PLL.

	£000
Assets	
Other financial investments	7,500
Reinsurer's share of technical provisions: Long-term business provision	4,968
Other debtors	(4)
Total Assets	12,464
Liabilities	
Technical Provisions: Long-term business provision	4,968
Other creditors including taxation and social security	129
Total Liabilities	5,097
Net assets transferred to PLL	7,367

5. Investment income

	Technical Account 2023 £000	Technical Account 2022 £000
Dividend income	462	153
Realised gains on financial assets at fair value through profit and loss	2	-
Total investment income	464	153
Unrealised gains/(losses) on investments:		
Financial instruments	6	(4)
Net unrealised gains/(losses) on investments	6	(4)
Total investment return	470	149

6. Auditors' remuneration

	2023 £000	2022 £000
Audit of the Company's financial statements	47	35

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

7. Employee costs

The Company has no employees. During the year administrative services transitioned from Standard Life Assets and Employee Services Limited ("SLAESL") to Pearl Group Management Services Limited ("PGMS"), both fellow group companies. Employee costs are payable by PLL.

8. Tax charge

Current year tax charge

	Technical account 2023 £000	Technical account 2022 £000
Current tax:		
UK Corporation tax	110	28
Adjustment in respect of prior years	(10)	-
Total current tax	100	28
Total tax charge	100	28
Attributable to:		
- owners	100	28
Total tax charge	100	28

Reconciliation of tax charge

	2023 £000	2022 £000
Profit for the year before tax	470	149
Tax at standard UK rate of 23.5% (2022: 19%)	110	28
Adjustment in respect of prior years	(10)	-
Total tax charge	100	28

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

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

9. Investments: Other financial investments

	Cost		Current Value	
	2023 £000	2022 £000	2023 £000	2022 £000
Fair value through profit and loss				
Unit trusts and other pooled investments	4,118	11,144	4,120	11,140
Total	4,118	11,144	4,120	11,140

The change in carrying value of other financial investments included in the Statement of comprehensive income within the Long-term business technical account was a gain of £6k (2022: £4k loss).

10. Financial assets and liabilities

Expected settlement dates

	Total 2023 £000	Amounts recoverable after 12 months 2023 £000	Total 2022 £000	Amounts recoverable after 12 months 2022 £000
Financial assets				
Financial assets at fair value through profit or loss				
Unit trusts and other pooled investments	4,120	-	11,140	-
Cash at bank and in hand	2	-	2	-
	4,122	-	11,142	-

Due to the nature of collective investment schemes 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 2023 (2022: none).

11. Fair value

Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

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

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.

At 31 December 2023, the Company's financial assets measured at fair value comprised of collective investment schemes of £4,120k (2022: £11,140k) which are categorised under the fair value hierarchy as level 1 (2022: level 1).

The Company did not hold any financial liabilities at FVTPL at 31 December 2023 (2022: £nil).

Financial instrument valuation methodology

Pooled investments

Financial 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.

12. Tax assets and liabilities

	Technical account	
	2023	2022
	£000	£000
Current Tax		
Current tax payable	-	32

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

An increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Accordingly, 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.

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.

At 31 December 2023 the Company had nil unused tax losses (2022: £52k for which no deferred tax asset had been recognised due to doubtful recoverability).

13. Cash at bank and in hand

	2023 £000	2022 £000
Bank and cash balances	2	2
Total cash at bank and in hand	**2**	**2**

14. Other prepayments and accrued income

	2023 £000	2022 £000
Accrued income	18	27
	18	27

15. Loan capital

	2023 £000	2022 £000
Loan capital – due to related parties – parent	50	50
	50	50

Under FRS 102.22 *Liabilities and equity*, the loan capital provided by the parent undertaking meets the definition of equity. It is non-interest bearing, repayable only on liquidation and ranks after all other creditors.

16. Capital and reserves: Other reserves

	Restructuring Reserve £000	Total £000
At 1 January 2023	-	-
Part VII transfer	(7,367)	(7,367)
At 31 December 2023	(7,367)	(7,367)
At 1 January 2022 and 31 December 2022	-	-

Restructuring reserve

On 30 September 2023, £7,367k was transferred to PLL under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000. Following merger accounting principles this reserve was created to reflect this balance in equity.

17. Technical provisions

Technical provisions

	Long term business provision 2023 £000	Reinsurers share: Long term business provision 2023 £000	Long term business provision 2022 £000	Reinsurers share: Long term business provision 2022 £000
Technical liabilities	-	-	6,031	6,031
Total	-	-	6,031	6,031
Amounts due after 12 months	-	-	5,080	5,080

Movements in liabilities

	Long term business provision 2023 £000	Reinsurers share: Long term business provision 2023 £000	Long term business provision 2022 £000	Reinsurers share: Long term business provision 2022 £000
At 1 January	6,031	6,031	7,593	7,593
Claims	(371)	(371)	(544)	(544)
Other changes in liabilities	(692)	(692)	(1,018)	(1,018)
Part VII transfer (note 4)	(4,968)	(4,968)	-	-
At 31 December	-	-	6,031	6,031

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

Assumptions

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 non-participating insurance contract liabilities, the Company uses a risk-free rate plus a spread.
- For non-participating insurance contract liabilities, the Company sets assumptions at management's best estimates and recognises an explicit margin for demographic risks.

Changes to assumptions

Due to changes in economic and non-economic factors, certain assumptions used in estimating insurance 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 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 the Company's business the rate of RPI inflation 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.

Reinsurance arrangement

Prior to the Part VII transfer, the Company held a reinsurance arrangement with SLAL. Under the terms of this arrangement, 100% of the Company's annuity portfolio was reinsured back to SLAL. The reinsurance was measured on a basis that is consistent with the valuation of the liability to policyholders to which the reinsurance applies.

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

2023	Gross insurance contracts £000	Reinsurance insurance contracts £000
Deferred annuities – with guarantees	-	-
Immediate annuities	-	-
	-	-

2022	Gross insurance contracts £000	Reinsurance insurance contracts £000
Deferred annuities – with guarantees	446	446
Immediate annuities	5,585	5,585
	6,031	6,031

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.

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 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.

The pricing assumption for mortality risk is based on both historical 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.

18. Risk management

(a) Overview

Risk Management Framework

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

Risk Universe

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

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

Level 1 category	Definition
Strategic risk	A possible source of loss that might arise from the pursuit of an unsuccessful business plan. This source of loss can be to the shareholders and/or to the policyholders and may drive reputational damage which could further impact the Company's ability to meet its strategic objectives.
Financial soundness	The risk of financial failure, reputational loss, loss of earnings and/or value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial, taxation and regulatory information.
Market risk	The risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable movements. The risk typically arises from exposure to equity, property and fixed income asset classes and the impact of interest rates, inflation rates and currency exchange rates.
Credit risk	The risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.
Insurance risk	The risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.
Customer risk	The risk of reductions in expected earnings and/or value to the Company or customers, through financial, reputational or operational losses as a result of not treating customers fairly or inappropriate or poor customer treatment (including poor advice).

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

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

Part VII transfer

The key risks for the Company are discussed in the following sections. With the exception of £4,140k of net assets (required to meet the ongoing Minimum Capital Requirement until de-authorisation), on 30 September 2023 all SLPF business was successfully transferred to fellow Group company PLL. This transfers the majority of risks to PLL.

(b) Climate risk

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

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

(c) Strategic risk

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

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

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

(d) Financial risks

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

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

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

(e) Financial Soundness: Liquidity 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. Prior to the Part VII transfer, the Company had exposure to liquidity risk as a result of any failure to meet its short-term cash flow requirements and to meet its obligations to policy liabilities.

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.

Prior to the Part VII transfer, for annuity contracts, the Company's liquidity risk was mitigated through the reinsurance arrangement with SLAL.

The Company's financial assets are held in highly liquidity cash funds. Following the Part VII transfer the Company does not have any liabilities.

(f) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to 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 19 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 Company is exposed to fluctuations in fair value of future cash flows of a financial instrument caused by changes in market interest rates.

Markets remain volatile particularly given geopolitical tensions, heightened inflation and action by central banks to reduce these pressures on economies whilst balancing the need to aid post pandemic recovery.

(i) Credit risk

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

The amount disclosed in the Statement of financial position in respect of all financial assets represents the Company's maximum exposure to credit risk.

The vast majority of credit risk has been transferred from the Company through the Part VII transfer to PLL. Negligible exposure to credit risk remains, which results from assets held to meet the regulatory minimum capital requirement from of the Company's sole collective investment scheme holdings in the Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 2 Fund. This is considered minimal given the aim being to preserve capital and liquidity by investing in high quality money market instruments. Prior to the Part VII transfer, the Company was exposed to the risk of SLAL defaulting on the Company's reassurance arrangement, though this was considered to be minimal given the AA credit rating in 2022 of SLAL and the solvency position of SLAL and the broader Phoenix Group.

(j) Insurance risk

Insurance risk can arise as a result of:

- 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.

All Insurance risk has been transferred from the Company through the Part VII transfer to PLL. Prior to this, the insurance risk was wholly reinsured to SLAL.

(k) Customer risk

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

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

All Customer risk has been transferred from the Company through the Part VII transfer to PLL.

(l) Operational risk

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

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

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

It is accepted that it is neither possible, appropriate nor cost effective to eliminate all operational risks from the business 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's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; although the 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.

19. Capital management

a) 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 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.

b) 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") and Minimum Capital Requirement ("MCR"). The Company is required to meet both the SCR and MCR at each quarterly valuation date.

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.

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 calculation of the MCR combines a linear formula based on net SII technical provisions, with a floor of 25% and a cap of 45% of the SCR, and subject to an absolute floor depending on the nature of the undertaking.

As the Company is fully reinsured, the SCR held is lower than the MCR, for which the sterling equivalent of the absolute floor of €4m is biting. The Solvency II surplus position (unaudited) at 31 December 2023 is presented in the Strategic report on page 3.

The Company did not breach the SCR nor MCR at any time during the year.

c) Capital Policy

The capital policy is set by the Board and ensures there is sufficient capital to cover the both the SCR and MCR 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.

20. Related party transactions

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

21. Ultimate parent and ultimate controlling party

Prior to 27 October 2023, the Company's immediate parent was Standard Life Assurance Limited. From 27 October 2023, the Company's immediate parent is Phoenix Life Limited. The Company's 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.

22. Events after the reporting period

On 30 May 2024 the Company submitted an application to the PRA for cancellation of its Part 4A permissions under the Financial Services and Markets Act 2000. This does not alter the basis of preparation of the financial statements and has no financial impact.

23. Impacts of transition to UK GAAP

	2022	2021
	£000	£000
Reconciliation of equity		
Equity as reported under IFRS	11,137	11,016
Valuation of technical provisions	-	-
Equity as restated under UK GAAP	11,137	11,016

	2022
	£000
Reconciliation of profit	
Profit as reported under IFRS	121
Technical provisions	-
Profit as restated under UK GAAP	121

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