STANDARD LIFE ASSURANCE LIMITED

Company Registration Number: SC286833

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023

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Strategic report

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

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

Business review

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

During the year the life assurance operations within the Phoenix Group ("the Group") were subject to change for operational efficiency reasons. Court and regulatory permissions were obtained to complete a Part VII of the Financial Services & Markets Act 2000 transfer ("Part VII transfer") whereby the policies of customers within the Company were transferred to PLL, with the exception of three policies, which were unable to be transferred but are expected to transfer at a later date. Associated assets and liabilities were also transferred at an accounting date of 30 September 2023. The Company remains regulated by the Prudential Regulation Authority.

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

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

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

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

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

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

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

Key Performance Indicators ("KPIs")
The results of the Company for the year are shown in the Statement of comprehensive income on page 30.

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 is £4m (2022: £4,659m) and excess of own funds over solvency capital requirement is £1m (2022: £2,543m).

Dividends paid
The payment of dividends to Group is a strategic objective as cash generation is a key metric across the Group. Cash remitted reflects the generation of free surplus within the life companies and the benefit of management actions implemented in the period. Dividends of £nil were paid to the parent company during the year (2022: £295m). The Directors do not recommend the payment of a final dividend.

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

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

Policy administration is outsourced to the Company's subsidiary Standard Life Assets and Employee Services Limited ("SLAESL"), one of the service companies within the Group, which, in turn, has sub-contracted some expenses administration most significantly to TCS Diligenta. Under the Company's agreements with SLAESL, the majority of costs are levied on a per policy basis thereby mitigating the Company's expense risk.

Asset management is outsourced to a diversified range of providers, of which the most significant is Standard Life Investments Limited ("SLI"), a member of the abrdn Group.

Investment administration is primarily outsourced to SLI and custody services are outsourced to HSBC. The performance of the Company's invested assets is reviewed against fund specific, pre-defined benchmarks by the Board, the Investment Committee and the Investment Management Committee, which is an internal management committee.

Directors' duties under section 172 of the Companies Act

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

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

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

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

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

Key stakeholder groups		
Customers	Suppliers	Colleagues
As a result of wider Phoenix Group Part VII activity, all our customers transferred to PLL at the end of September 2023. However, until that point, our customers comprised of 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.	We depend on our outsourced service providers ("OSPs") to deliver the highest standards of service and continually promote good outcomes for all our customers. The Board understands that the quality of relationships we maintain and develop with our OSPs is core to the Group achieving its purpose of helping people secure a life of possibilities.	Our colleagues, engaged via Group service company arrangements are integral to the Company's success. The Board supports the Group's ambition for a champion-led culture to reach its purpose and achieve its strategy.
Link to strategic priorities		
Optimise our in-force business	Optimise our in-force business; Enhance our operating model and culture	Enhance our operating model and culture
How has the Board engaged with and had oversight of stakeholder views during the year?		
The Board sought to understand whether customer needs were being met through consideration of regular reports on customer service, customer satisfaction and complaints. During the year, there were specific updates on the development of a Customer Experience Dashboard, analysis on customer complaints and 'goneaway' customers. The Board monitored the impact of the Group's change agenda, including resource required to	The Board received regular reports from management on ongoing customer service performance and outsourced services. Relationships with OSPs were monitored via regular updates to the Board.	The Board monitored colleague-related matters throughout the year via the regular operational updates provided by management. The Board considered the forward looking performance metrics proposed for the Group's Annual Incentive Plan with respect to customer performance. In addition, the Board's non-objection was sought for any intended bespoke remuneration plans for functions responsible for the delivery of good customer outcomes.

maintain focus, and the potential impact on, customer outcomes. The Board considered reports from management in relation to implementation of an evolved, customer-centric, operating model and drive to a consistent strategy for customers within existing products. The Board challenged management to ensure the customer was central to the narrative in the development of the Group Net Zero Transition Plan. The Board was informed on the activity being undertaken to support customers impacted by the Cost of Living crisis.	The Board received regular updates on the planned customer migration programmes. Through its Risk Committee, the Board continued to receive updates on the adherence to operational resilience requirements. Bespoke updates on specific OSPs were held during the course of the year.	

The Board'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 the Company's customers to PLL.	The Board monitors the performance of its OSPs to ensure Phoenix is able to provide the best customer outcomes to deliver its operational and financial targets. Positive relationships with OSPs are vital to the success of both parties.	The Group Board is responsible for setting cultural tone for all Group colleagues. However, the Standard Life Board monitors engagement and other relevant colleague-related matters in recognition of their role in the ongoing success of the Company.

Key stakeholder groups continued		
Community	Investors	Government, trade bodies & regulators
The most significant way in which we impact the community is through the investment decisions we make. The Group also encourages all colleagues to support our local communities through volunteering. The Board understands the value of building trust and inspiring confidence through sustainable and responsible investment.	Our sole and ultimate controlling party is Phoenix Group Holdings plc ("PGH"). Prior to the transfer of the Company's business to PLL, the Board recognised the role it played in driving growth to help the Group meet the needs of its customers.	Our business is regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The Board acknowledges the importance of maintaining positive relationships with the Company's regulators, particularly in relation to ensuring good outcomes for its customers prior to their transfer to PLL.

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

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

Key board decisions

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

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

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

Key Board decision	Transfer of mortgage business
Link to strategic priorities	**How the Board reached its decision**
	Consideration of section 172 matters In addition to the proposal to transfer the Company's business into Phoenix Life Limited, the Board considered a connected matter relating to the transfer of its mortgage business book to another Group company which held the necessary regulatory permissions to conduct this type of business. The Board noted that the mortgage book's customers would not be adversely affected by the proposed transfer, with their terms and conditions remaining the same throughout. Their products would also continue to be administered in the same way. The Board also noted the financial and tax impact of the proposal and acknowledged the independent Line 2 view which indicated support for the transfer.
Outcome	Having duly considered the matters set out in section 172, the Board approved the transfer of the mortgage business book.

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

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

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

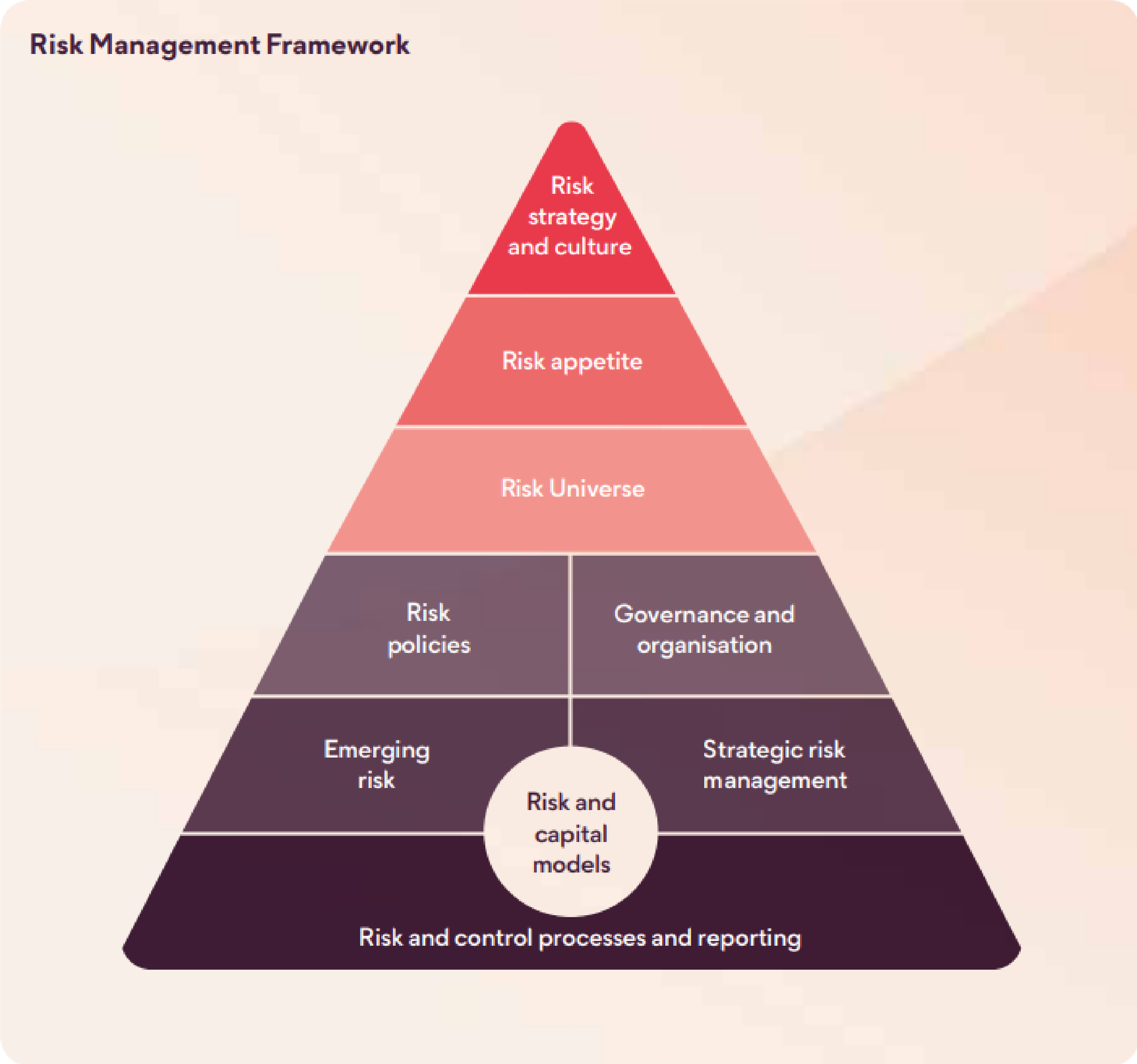
Business relationships with customers
Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board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

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

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

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

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



Principal risks and uncertainties

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

The Part VII transfer of 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.

Three policies were not able to be transferred due to ongoing sanctions on policyholders. For the policies that remain with the Company a reinsurance arrangement is in place with PLL, which transfers the majority of insurance and financial risk from the Company to PLL. The principal exposures for the Company mostly relate to the risks for the residual customer policies, and for the ongoing process towards the deauthorisation of the Company.

During 2023, for the purposes of managing risks of the Company, including those impacting the Company's financial assets and financial liabilities, the Company considered the following Risk Universe categories: Financial Soundness; Market; Insurance; Credit; Customer; Operational; and Strategic. Sources of these risks, and an explanation of actions taken to manage risk exposures during the year, are outlined in more detail in note 30 of the financial statements.

Operational Risk - Regulatory, legislative or political

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

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

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

Operational risk – Operational Resilience

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

Impact	**Mitigation**	**Events in the year**
The Company is exposed to the risk of causing intolerable levels of disruption to its customers and stakeholders if it cannot maintain the provision of important business services when faced with a major operational disruption. This could occur either in-house or within the Company's primary and downstream outsourcer partners, and be triggered by a range of environmental and climatic factors such as the cost-of-living crisis and adverse weather phenomena. The Company regularly conducts customer migrations as part of transition activities in delivering against its strategic objectives. In doing so, it faces the risk of interruption to its customer services, which may result in the failure to deliver expected customer outcomes. Regulatory requirements for operational resilience, and a timetable to achieve full compliance, were published in March 2021. Whilst the specific requirement to work within set impact tolerances takes effect in March 2025, the Group and the Company is already exposed to regulatory censure in the event of operational disruption should the regulator determine that the cause was a breach of existing regulation.	The Group's Operational Resilience Framework, which applies to the Company, enhances the protection of customers and stakeholders. It is designed to prevent intolerable harm and supports compliance with the regulations. The Company continues to work closely with its outsourcer partners to ensure that the level of resilience delivered is aligned to the Company's impact tolerances. The Group, including the Company, has already taken some action, through previous strategic transformation activity, to reduce exposure to technological redundancy and key person dependency risk, increasing the resilience of its customer service. It continues to do so where further exposure is identified. The Company regularly reviews important business service MI to ensure appropriate action is taken to rectify and prevent customer harm. The Group is working to further strengthen and enhance the overall resilience of the Group and its outsource partners by March 2025 through its Operational Resilience Remediation Project. The Company and its outsourcer partners have well established business continuity management and disaster recovery frameworks that are annually refreshed and regularly tested. Disruption events are used to assess lessons learned to identify any continual improvements to be made.	The quantum of strategic customer transformation activity requires subject matter expertise to execute successfully. The Company's operational resilience, internally and with material third-parties, would be impacted by a large-scale loss of colleagues, for example due to illness or incapacity such as Influenza, in the UK or globally. Such impacts are difficult to mitigate in the short-term, however the Company and material suppliers made substantial investments in remote working capability to manage the impacts of COVID-19, which would be expected to help mitigate the impacts of a further pandemic to service continuity.

Operational risk – Cyber Resilience

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

Impact	Mitigation	Events in the year
Phoenix Group is the UK's largest long-term savings and retirement business, with a significant profile, which leads to greater interest from cyber criminals. The world continues to become increasingly digitally connected and cyber-attacks remain a major threat to the Group. Over the past five years Phoenix Group has grown from 5m to 12m customers, while the number of colleagues in the Group has grown from 900 to over 7,500, not including contractors. In addition, the Group's footprint includes engagement with c. 1,800 suppliers which increases the attack surface significantly. This continual growth poses a greater risk of cyber-attack which could have significant impact on customer outcomes, strategic objectives, regulatory obligations and the Group's reputation and brand. Based on external events and trends, the threat posed by a cyber security breach remains high and the complexity of the Group's increasingly interconnected digital ecosystem exposes the Group and the Company to multiple attack vectors. These include phishing and business email compromise, hacking, data breach and supply chain compromise. Increased use of online functionality to meet customer preferences and flexible ways of working, including remote access to business systems, adds additional challenges to cyber resilience and could impact service provision and customer security. The pace of change is accelerating due to the rapid rise of Artificial Intelligence ("AI"), which in turn is compounding the threats and as a result, the cyber world is a more dangerous place than ever before. AI also has the potential to improve cyber security by dramatically increasing the timeliness and accuracy of threat detection and response. Cyber security is an essential pre-condition for the safety of AI systems and is required to ensure resilience, privacy, fairness, reliability, and predictability.	The Company is continually strengthening its cyber security controls, attack detection and response processes, identifying weaknesses through ongoing assessment and review. The Enterprise Information Security Strategy includes a continuous Information Security and Cyber Improvement Programme, which is driven by input from the Annual Cyber Risk Assessment and Annual Cyber Threat Assessment that utilises internal and external threat intelligence sources. The Group continues to consolidate its cyber security tools and capabilities and the Enterprise Information Security Strategy 2023–2025 includes delivery of a Group Identity Platform and Zero Trust model, Supplier Assurance Platform, Secure Cloud Adoption and proactive Data Loss Prevention. The specialist Line 2 Information Security & Cyber Risk provides independent oversight and challenge of information security controls, identifying trends, internal and external threats and advising on appropriate mitigation solutions. The Company continues to enhance and strengthen its outsourced service provider and third oversight and assurance processes. Regular Board, Executive, Risk and Audit Committee engagement occurs within the Group. The Group holds ISO 27001 Information Security Management Certification for its Workplace Pension and Benefits schemes, which provides confidence to both clients and internal stakeholders that it is committed to managing security.	The UK cyber threat level remains elevated, due to the sustained Russia/Ukraine war, China/Taiwan tensions, and the addition of the Israel/Palestine armed conflict. Cyber threat levels remain high with increased likelihood of a cyber-attack from a State actor; however it is highly unlikely that a Nation State actor would directly target the Company and any impact would be as a result of indirect cyber-attacks against the UK's critical national infrastructure, IT or information security service providers or global financial services companies. Cyber Criminals continue to be the Company's most likely adversary, primarily due to the fact that the Company is a Financial Sector organisation and the type of data held is attractive to criminal actors. On 19 April 2023, the UK's National Cyber Security Centre issued an alert warning of a heightened risk from attacks by state-aligned Russian hacktivists, urging all organisations in the country to apply recommended security measures. The Company's cyber controls are designed and maintained to repel the full range of the cyber-attack scenarios; whilst the Company's main threat is considered to be cyber crime, from individuals or organised crime groups, the same controls are utilised to defend against a Nation-State level cyber-attack. The single consolidated Group Supplier Information Security Framework, which applies to the Company, is improving the Security Oversight and Assurance of Phoenix's large portfolio of Outsourced Service Providers, third and fourth Party suppliers, and continues to mature. Further embedding and maturing over the next 12 months will help mitigate the risks associated with supply chain cyber security, which is considered Phoenix's key top cyber security threat. Vulnerability management continued to mature throughout 2023 with the Enterprise Cyber Exposure Score ("CES") remaining steady. The Group received formal approval from the FCA and PRA in July 2023 for closure of the Cybersecurity Best

		Practice Evaluation and Testing ("CBEST") remediation programme.

Strategic Risk – Climate Change/ESG

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

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

Credit Risk

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

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

Customer risk

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

Impact	Mitigation	Events in the year
The Company is exposed to the risk that it fails to deliver good outcomes for its customers, leading to adverse customer experience and potential customer harm. This could also lead to reputational damage for the Company and/or financial losses. In addition, a failure to deliver propositions that meet the evolving needs of customers may result in the Company's failure to deliver its purpose of helping people secure a life of possibilities.	The Group's Conduct Risk Appetite, applicable to the Company, sets the boundaries within which the Group expects customer outcomes to be managed. The Group's Conduct Strategy, which overarches the Risk Universe and all risk policies, is designed to detect where the Group and the Company's customers are at risk of poor outcomes, minimise conduct risks, and respond with timely and appropriate mitigating actions. The Group, including the Company, has a suite of customer policies which set out key customer risks and the Control Objectives that determine the Key Controls required to mitigate them. The Company maintains a strong and open relationship with the FCA and other regulators, particularly on matters involving customer outcomes. The Company's Proposition Development Process ensures consideration of customer needs and conduct risk when developing propositions.	The FCA's Consumer Duty represents a step change in approach for the industry, re-enforcing a shift away from a rules-based regime to principles-based regulation. The Duty introduces an overarching requirement that firms, and their employees, must act to deliver good outcomes for retail customers. In response, the Company mobilised a programme of work to implement the changes required to achieve its interpretation of compliance in line with the key regulatory deadlines of end-April 2023, end-July 2023 and end-July 2024. Despite having met the first two deadlines, the Group's view is that the risk exposure around the Duty is elevated whilst the supervisory approach matures, and closed products are reviewed against the Duty's principles, most notably fair value, ahead of the end-July 2024 deadline. The Company has built on its' strong foundations, enhancing existing and creating new Group frameworks (which apply to the Company), processes and strategies to meet Duty requirements. This includes a Fair Value Framework designed to assess value in its broadest definition and refreshing the Conduct Strategy to embed and maintain the culture of the Company, informed by monitoring behaviours and customer outcomes. The FCA is raising the bar in terms of expectations on firms to ensure and evidence good outcomes are being achieved for their customers. The FCA continues to provide guidance to the industry to support firms' plans to embed the Duty within their businesses. It also recognises that its own understanding and development of guidance and supervisory approach will continue to evolve.

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

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 England and Wales. Its registration number is SC286833 and its registered office is Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

Corporate governance

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

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

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

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

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

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

Aspect of Governance	Demonstrated by
	Reserved clearly state those matters which are in the gift of the Board and those which require Group oversight, in support of balancing the obligations of the Company within the context of the wider Group.
Board Committees	The terms of reference of the committees of the Board of the Company document the duties of the committees. Any matter which cannot be properly dealt with by the committee concerned or needs to be escalated is submitted to the Board for consideration. Board Committee terms of reference have been assessed against activity undertaken and amended during the course of the year, as appropriate, to ensure corporate governance arrangements remained aligned to the Group operating model.

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 29 and note 30 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 on 30 September 2023. At the date of reporting there are no formal plans to wind up the Company.

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

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

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

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

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

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

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

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

Auditor appointment
Ernst & Young LLP have reached the maximum period of service for an auditor of a Public Interest Entity, under the mandatory auditor rotation requirements, for another Life Company within the Group 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 Assurance Limited

Opinion

We have audited the financial statements of Standard Life Assurance 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 39, (except for that element of note 29, 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- confirming our understanding of the directors' going concern assessment process and obtaining and testing 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 confirmed management's assessment was approved by the Board,
- assessing the impact of the part VII transfer on the Company's going concern and challenging management as to 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 £12.5m which represents 2% of 30 September 2023 net assets (2022: 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 each reporting unit ('reporting component') within the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed at each reporting component.

We instructed:

- the Central investments component team to audit investment balances and associated income and expenses.
- the Standard Life International Designated Activity Company ("SLIDAC") component team to audit the SLIDAC gross premiums written, policyholder claims, reinsurance payables and acquisition costs. These balances, reported within the financial information of SLIDAC are included within the financial information of the Company as a result of a reinsurance agreement between the entities; and
- the service company component team to perform specified procedures with respect to expenses and the recharge to the Company. The Company records recharges from Standard Life Asset and Employee Services Limited ("SLAESL") within operating expenses and certain baseline expenses that form part of the assumptions setting process for technical provisions recognised by the Company at the Part VII effective date of 30 September 2023.

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 Assurance Limited (SLAL)	Full	Primary team
Central Investments Component Team	Specific scope	EY component team
Standard Life International Designated Activity Company	Specific scope	EY component team
Standard Life Asset and Employee Services Limited	Specified procedures	EY component team

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

Involvement with component teams

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

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

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

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

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

Changes from the prior year

Due to the part VII transfer that took place this year, the testing scope for the component teams was for the nine months period to 30 September 2023. This is different from prior year when the component teams testing covered 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 the valuation of technical provisions.

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

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

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

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Part VII transfer *Refer to accounting policies page 37 and Note 4 of the Financial Statements.* Management has completed a Part VII transfer of the assets and liabilities of Standard Life Assurance 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 during the period, we have: • obtained evidence of the agreement between entities and evidence of the required regulatory approvals made prior to the transfer 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 and valuation of fair value hierarchy 3 (‘FVH3’ modelled debt securities. In the current year, these are no longer considered to be key audit matters 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 £12.5 million (2022: £15.6 million), which is 2% (2022: 2%) of 30 September 2023 net assets (2022: closing net assets). The primary stakeholders of the Company are its shareholders (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 £15.6 million which was based on forecast net assets. We decreased our materiality to £12.5 million to reflect the final net assets as at 30 September 2023.

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 £6.3 million (2022: £7.8 million). 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 £0.6 million (2022: £0.8 million), 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 toa 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 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Long term business technical account	Notes	2023 £m	2022 £m Restated (note 39)
Gross premiums written	5	682	1,143
Outward reinsurance premiums		(10)	(12)
Earned premiums, net of reinsurance		672	1,131
Investment income	7	3,116	6,150
Unrealised losses on investments	7	(302)	(21,897)
Other technical income	6	288	418
Claims paid:			
Gross amount		(2,476)	(4,680)
Reinsurers' share		247	358
Claims paid net of reinsurance		(2,229)	(4,322)
Change in provision for claims:			
Gross amount		(13)	3
Change in provision for claims net of reinsurance		(13)	3
Claims incurred net of reinsurance		(2,242)	(4,319)
Change in long term business provision:			
Gross amount		1,437	9,605
Reinsurers' share		(197)	(779)
Change in long term business provision net of reinsurance		1,240	8,826
Change in technical provision for linked liabilities, net of reinsurance		(2,449)	9,909
Change in technical provisions net of reinsurance		(1,209)	18,735
Net operating expenses	8	(411)	(71)
Investment expenses and charges	7	(23)	(47)
Other technical charges	9	(96)	(50)
Transfer (to) / from fund for future appropriation		(16)	14
Tax attributable to the long term business	12	72	96
Balance on long term business technical account		(151)	160

Non-technical account	Notes	2023 £m	2022 £m Restated (note 39)
Balance on long term business technical account		(151)	160
Tax (credit) / charge on long term business	12	(37)	20
Balance on long term technical account before tax		(188)	180
Investment income	7	16	10
Unrealised losses on investments	7	(6)	(1)
Profit on other activities		10	9
(Loss) / profit on ordinary activities before tax		(178)	189
Tax credit / (charge) on ordinary activities	12	35	(22)
(Loss) / profit for the year		(143)	167
Total comprehensive (expense) / income for the year		(143)	167

Statement of financial position - assets
as at 31 December 2023

ASSETS	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m
Investments			
Land and buildings	14	-	410
Investments in group undertakings and participating interests	15	-	21,610
Other financial investments	16	4	14,083
		4	36,103
Assets held to cover linked liabilities	21	-	86,182
Reinsurers' share of technical provisions			
Long-term business provision	28	-	2,286
Technical provisions for unit-linked liabilities	28	-	2,775
		-	5,061
Debtors			
Debtors arising out of direct insurance operations - policyholders		-	1
Debtors arising out of reinsurance operations		-	3
Other debtors	22	-	943
Deferred tax asset	20	-	3
		-	950
Other assets			
Cash at bank and in hand	23	-	50
Prepayments and accrued income			
Accrued interest and rent		-	21
Deferred acquisition costs	24	-	213
Other prepayments and accrued income	25	-	6
		-	240
Total assets		4	128,586

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

	Notes	As at 31 December 2023 £m	As at 31 December 2022 £m Restated (note 39)
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	26	30	30
Share premium		118	118
Other reserves	27	(51)	521
Profit and loss account		(93)	50
Total capital and reserves		4	719
Liabilities			
Fund for future appropriations		-	289
Technical provisions			
Long term business provision	28	-	32,774
Claims outstanding		-	74
		-	32,848
Technical provisions for linked liabilities	28	-	89,422
Provisions for other risks			
Deferred taxation	20	-	28
Other provisions	31	-	43
		-	71
Deposits received from reinsurers		-	2,331
Creditors			
Creditors arising out of direct insurance operations		-	1
Creditors arising out of reinsurance operations		-	52
Other creditors including taxation and social security	32	-	2,775
		-	2,828
Accruals and deferred income	33	-	78
Total liabilities		-	127,867
Total equity and liabilities		4	128,586

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

	Called up share capital (note 26)	Share premium	Other reserves (note 27)	Profit and loss account	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2023 (Restated note 39)	30	118	521	50	719
Total comprehensive expense for the financial year	-	-	-	(143)	(143)
Part VII transfer (note 4)	-	-	(572)	-	(572)
Balance at 31 December 2023	30	118	(51)	(93)	4

	Called up share capital (note 26)	Share premium	Other reserves (note 27)	Profit and loss account	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2022 (Restated note 39)	30	118	521	178	847
Total comprehensive income for the financial year (Restated note 39)	-	-	-	167	167
Dividends paid on ordinary shares	-	-	-	(295)	(295)
Balance at 31 December 2022 (Restated note 39)	30	118	521	50	719

Of the above, £nil (2022: £571m) is considered distributable.

Notes to the Financial Statements

1. Basis of preparation

The financial statements for the year ended 31 December 2023, set out on pages 30 to 74 were authorised by the Board of Directors for issue on 11 June 2024.

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

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

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

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

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

The Directors have also considered the Part VII of its business into PLL, a fellow Group company which completed with an effective date of 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. 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 38.

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

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

2. Accounting Policies

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. Following the Part VII transfer, areas of the Company's business that typically requires such estimates are set out below.

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

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.

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

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

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

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

Reinsurance premiums
Outward reinsurance premiums are accounted for on a payable basis.

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

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

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

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

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

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

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

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

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

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

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

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.

Income and expenses on certain prescribed items such as intercompany loans and investments in strategic subsidiaries (see note 7) has been allocated to the non-technical account on the basis that it relates to Group-wide activities. All other income and expenses have been attributed to the technical account.

f) Taxation
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.

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

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

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

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

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) Investments: Land and buildings

Land and buildings

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

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

Investment property

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

i) Investments: Investment in group undertakings and participating interests

Investments in group undertakings

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

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

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

Participating interest*s*

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

j) Financial instruments

The Company has chosen to account for its financial instruments in accordance with FRS 102.11.2 (c) which applies the recognition and measurement provisions of IFRS 9 *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, deposits received from reinsurers, 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, derivatives and unit trusts and other pooled investments are mandatorily classified and measured at FVTPL as they are managed and evaluated on a fair value basis. Net gains and losses, including interest and dividend income, are recognised in the Statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

k) Reinsurance

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

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

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

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

Reinsurance accepted

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

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

l) Deferred acquisition costs

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

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

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

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

m) 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.

n) Share capital and capital contributions

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

o) Classification of contracts

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

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

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

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

p) Technical Provisions

Long-term business provision – insurance contracts & investment contracts with DPF

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

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

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

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

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

The cost of future policy related liabilities is determined using a market consistent approach, mainly based on a stochastic model calibrated to market conditions at the end of the reporting period. Non market related assumptions (for example, persistency, mortality and expenses) are based on experience adjusted to take into account of future trends. Where policyholders have valuable guarantees, options or promises in respect of the with-profit business, these costs are generally calculated using a stochastic model. The principal assumptions are given in note 28.

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

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

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

The value of PVFP is determined in a manner consistent with the measurement of liabilities. In particular, the methodology and assumptions involve adjustments to reflect risk and uncertainty, which are based on current estimates of future experience and current market yields and allow for market consistent valuation of any guarantees or options within the contracts. The value is also adjusted to remove the value of capital backing the non-profit business if this is included in the realistic calculation of PVFP. The principal assumptions used to calculate the PVFP are the same as those used in calculating the insurance contract liabilities given in note 28.

Technical provisions for linked liabilities

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

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

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

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

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

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

Embedded derivatives

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

u) Foreign currency translation

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

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

3. New and amended accounting standards

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

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

4. Transfer of the business

On 3 October 2023, the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 to transfer all of the assets and liabilities of the Company 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 equity.

With the exception of £4m of net assets (required to meet the ongoing Minimum Capital Requirement until de-authorisation) and three insurance contract policies that were unable to be transferred due to ongoing sanctions on policyholders, all assets and liabilities of the Company were transferred to PLL for nil consideration.

The following table presents the balances transferred to PLL.

	Total £m
Assets	
Land and buildings	410
Investments in group undertakings and participating interests	23
Other financial investments	33,781
Assets held to cover linked liabilities	87,881
Reinsurers' share of technical provisions - Long-term business provision	2,089
Reinsurers' share of technical provisions - Technical provisions for unit-linked liabilities	2,377
Debtors arising out of direct insurance operations - Policyholders	2
Debtors arising out of reinsurance operations	1
Other debtors	941
Deferred tax asset	48
Cash at bank and in hand	122
Deferred acquisition costs	197
Other prepayments and accrued income	35
Total assets	127,907

Liabilities	
Fund for future appropriations	(309)
Technical provisions - Long-term business provision	(31,099)
Technical provisions - Claims outstanding	(351)
Technical provisions for linked liabilities	(90,763)
Other provisions	(20)
Deposits received from reinsurers	(2,092)
Creditors arising out of direct insurance operations	(1)
Creditors arising out of reinsurance operations	(63)
Other creditors including taxation and social security	(2,582)
Accruals and deferred income	(55)
Total liabilities	(127,335)
Net assets transferred to PLL	572

5. Premium analysis

Gross premiums written	2023 £m	2022 £m
Direct	234	513
Reinsurance accepted	448	630
	682	1,143

Direct business is analysed as follows:

	2023 £m	2022 £m
Individual business	209	427
Group contracts	25	86
	234	513
Regular premiums	102	270
Single premiums	132	243
	234	513
Participating contracts	143	332
Non-participating contracts	58	65
Linked business (excluding investment contracts without DPF)	33	116
	234	513

All Direct business is written in the United Kingdom.

Outward reinsurance premiums

Outward reinsurers comprise:

	2023 £m	2022 £m
Reinsurance premiums ceded under on-going reinsurance arrangements	10	12
	10	12

6. Other technical income

	2023 £m	2022 £m
Fee income from investment contracts without DPF	282	370
Amortisation of deferred income	3	6
Other income from contracts with customers	3	42
Total other income	288	418

7. Investment income and expense

	Technical account		Non-technical account	
	2023 £m	2022 £m	2023 £m	2022 £m
Interest income on financial assets at FVTPL	417	555	-	-
Interest income on financial assets at amortised cost	-	10	16	10
Dividend income	1,958	2,091	-	-
Rental income	149	219	-	-
Realised gains/losses on financial assets at FVTPL	592	3,275	-	-
Total investment income	3,116	6,150	16	10
Unrealised losses on investments:				
Financial instruments at FVTPL	(215)	(20,567)	-	-
Investment in subsidiaries	-	-	(6)	(1)
Investment property	(84)	(1,328)	-	-
FX losses	(3)	(2)	-	-
Net unrealised losses on investments	(302)	(21,897)	(6)	(1)
Investment expenses and charges	(23)	(47)	-	-
Total investment return	2,791	(15,794)	10	9

8. Net operating expenses

	Technical account	
	2023 £m	2022 £m
Acquisition costs incurred	186	195
Acquisition costs deferred	(2)	(3)
Amortisation of deferred acquisition costs	16	27
Other expenses	191	(191)
Administration services	20	43
Total operating expenses	411	71

The large movement year on year in other expenses is as a result of the portfolio premium adjustment relating to a deposit backed reinsurance arrangement with Canada Life International Re. The premium adjustment is used to bring the reinsurance liabilities in line with the movement in the deposited assets. This was a £45m credit in 2023 (2022: £473m credit).

Employee costs
The Company has no employees. Administrative services are provided by Standard Life Assets and Employee Services Limited, a fellow group company.

9. Other technical charges

	2023 £m	2022 £m
Interest expense:		
Financial liabilities at FVTPL	96	50
Total other charges	96	50

10. Directors' remuneration

	2023 £000	2022 £000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	1,134	1,208
Share option schemes and other long-term benefits	713	947
Contributions to money purchase pension schemes	5	2
Total Directors' emoluments	1,852	2,157

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

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

	2023 £000	2022 £000
Highest paid Director:		
Remuneration	392	416
Long term benefits	244	248

The highest paid Director exercised share options during the year.

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

11. Auditor's remuneration

	2023 £000	2022 £000
Audit of the Company's financial statements	1,420	1,225

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.

12. Tax (credit) / charge

Current year tax (credit) / charge	Technical account		Non-technical account	
	2023	2022	2023	2022
	£m	£m	£m	£m
Current tax:				
UK Corporation tax	-	28	-	-
Overseas tax	(5)	4	-	-
	(5)	32	-	-
Adjustment in respect of prior years	8	7	-	-
Total current tax (credit) / charge	3	39	-	-
Deferred tax:				
Origination and reversal of temporary differences	(64)	(135)	2	2
Change in the rate of UK corporation tax	(4)	-	-	-
Adjustment in respect of prior years	(7)	-	-	-
Total deferred tax (credit) / charge	(75)	(135)	2	2
Total tax charge (credit) / charge	(72)	(96)	2	2
Attributable to:				
- policyholders (long term business)	(35)	(116)	-	-
- owners (ordinary activities)	(37)	20	2	2
Total tax (credit) / charge	(72)	(96)	2	2

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.

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

Reconciliation of tax charge / (credit)

	2023	2022
	£m	£m
(Loss) / profit before tax attributable to owners	(178)	189
Tax at standard UK rate of 23.5% (2022: 19%)	(42)	36
Non-taxable income and gains	-	(5)
Adjustment to owners' tax in respect of prior years	11	2
Profits taxed at rates other than 23.5% (2022: 19%)	-	(11)
Deferred tax rate change	(4)	-
Tax (credit) / charge attributable to owners	(35)	22

13. Dividends on ordinary shares

	2023	2022
	£m	£m
1st Interim dividend for 2023 is nil (2022: 9p per share)	-	225
2nd Interim dividend for 2023 is nil (2022: 3p per share)	-	70
	-	295

14. Investments: Land and Buildings

	2023 £m	2022 £m
Current value		
Freeholds	-	408
Leaseholds with a term of over 50 years	-	2
	-	410

(a) Investment property

	2023 £m	2022 £m
Balance at 1 January	402	485
Additions (resulting from expenditure capitalised)	5	2
Disposals	(7)	-
Net gain / (loss) from fair value adjustments	2	(85)
Part VII transfer	(402)	-
Balance at 31 December	-	402

	2023 £m	2022 £m
Investment property net book value based on historic cost	-	152

Fair value measurement

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

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

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

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

Description	Valuation technique	Significant inputs	Unobservable input value	
			2023	2022
Commercial investment property	RICS valuation	Expected income per square foot	N/A	£26.32 weighted average
		Capitalisation rate	N/A	5.69% weighted average
		Rental value per hotel room	N/A	£9,927 weighted average
		Capitalisation rate	N/A	6.38% weighted average
		Rental value per parking space	N/A	£1,112 weighted average
		Capitalisation rate	N/A	7.21% weighted average
		Construction costs per square metre	N/A	£1,044 weighted average

		Profit on costs	N/A	12.50% weighted average
		Capital value per square foot	N/A	£18.30 weighted average

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

	2023 £m	2022 £m
Less than 1 year	-	19
1 to 5 years	-	54
Over 5 years	-	45
Total	-	118

(b) Land and buildings

	2023 £m	2022 £m
Balance at 1 January	8	8
Part VII transfer	(8)	-
Balance at 31 December	-	8

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

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

15. Investments: Investments in group undertakings and participating interests

	Cost		Current Value	
	2023 £m	2022 £m	2023 £m	2022 £m
Subsidiaries held for strategic purposes	-	33	-	29
Subsidiaries held for investment purposes	-	19,077	-	20,117
	-	19,110	-	20,146
Interest in joint ventures and associate long-term fund investments	-	1,429	-	961
Debt securities issued by, and loans to group undertakings and associate long-term fund investments	-	503	-	503
	-	1,932	-	1,464

Refer to note 37 for further information on the related undertakings of the Company.

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

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

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

16. Investments: Other financial investments

	Cost		Current value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Fair value through profit and loss				
Equities	-	128	-	225
Variable rate income securities	-	1,442	-	1,349
Fixed rate income securities	-	11,863	-	9,689
Derivative assets	-	40	-	1,980
Unit trusts and other pooled investments	4	882	4	833
Loans secured by mortgages	-	7	-	7
	4	14,362	4	14,083

	Carrying Value 2023	Carrying Value 2022
	£m	£m
Amounts included in the above relating to listed investments:		
Variable rate income securities	-	1,328
Fixed rate income securities	-	8,779
Total	-	10,107

17. Derivatives

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

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

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

The fair values of derivative financial instruments are:

	2023 Assets	2023 Liabilities	2022 Assets	2022 Liabilities
	£m	£m	£m	£m
Forward currency	-	-	28	6
Interest rate swaps	-	-	1,346	1,346
Swaptions	-	-	186	46
Inflation swaps	-	-	36	-
Equity Options	-	-	333	147
Stock index futures	-	-	51	2
Fixed income futures	-	-	-	12
	-	-	1,980	1,559

18. Financial assets and liabilities

Expected settlement dates	Total	Amounts recoverable after 12 months	Total	Amounts recoverable after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial assets				
Financial assets at amortised cost				
Loans and deposits	-	-	503	503
Financial assets at fair value through profit or loss				
Equities	-	-	585	-
Variable rate income securities	-	-	1,349	1,347
Fixed rate income securities	-	-	9,689	9,027
Derivative assets	-	-	1,980	1,884
Unit trusts and other pooled investments	4	-	21,551	-
Loans and deposits	-	-	7	7
Assets held to cover linked liabilities	-	-	81,795	2,689
Reinsurers' share of investment contracts without discretionary participation features	-	-	2,482	-
	4	-	119,941	15,457

	Total	Amounts due for settlement after 12 months	Total	Amounts due for settlement after 12 months
	2023	2023	2022	2022
	£m	£m	£m	£m
Financial liabilities				
Financial liabilities measured at amortised cost				
Other creditors	-	-	1,216	-
Financial liabilities at fair value through profit or loss				
Derivative liabilities	-	-	1,558	1,539
Investment contracts without discretionary participation features	-	-	85,203	-
Deposits received from reinsurers	-	-	2,331	1,982
Assets held to cover linked liabilities	-	-	38	21
	-	-	90,346	3,542

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

Offsetting financial assets and financial liabilities
The Company has no financial assets and financial liabilities that have been offset in the Statement of financial position as at 31 December 2023 (2022: £386m of liabilities in assets held to cover linked liabilities as detailed in note 21).

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

Collateral

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

OTC derivatives

	2023	2022
	£m	£m
Collateral accepted		
Not recognised	-	5
Recognised assets	-	735
Recognised liabilities	-	(735)
Maximum exposure to credit risk	-	1,879
Risk mitigated by use of collateral	-	(1,789)
Remaining risk	-	90
Collateral pledged		
Pledged as collateral	-	558
In respect of liabilities of	-	1,568

Standard Life International Designated Activity Company ("SLIDAC") reinsurance

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

The Company is not deemed to have transferred control of these assets to SLIDAC and so those assets continued to be recognised on the balance sheet of the Company prior to the Part VII transfer.

	2023	2022
	£m	£m
SLIDAC Reinsurance		
Financial assets related to reinsurance contracts	-	9,999

19. Fair value

Determination of fair value and fair value hierarchy of financial instruments

Level 1 financial instruments

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

Level 2 financial instruments

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

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

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

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

Fair value hierarchy of financial instruments

Fair value hierarchy information for non-financial assets measured at fair value is included in note 14 for investment properties and in note 15 for Investment in associates.

As 31 December 2023	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets measured at fair value				
Unit trusts and other pooled investments	4	-	-	4
Total financial assets measured at fair value	4	-	-	4

As 31 December 2022	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets measured at fair value				
Derivatives	50	1,930	-	1,980
Equities	277	-	308	585
Variable rate income securities	776	551	21	1,348
Fixed rate income securities	7,087	1,594	1,009	9,690
Unit trusts and other pooled investments	21,350	-	201	21,551
Loans and deposits	-	-	7	7
Assets held to cover linked liabilities	80,320	660	815	81,795
Total financial assets measured at fair value	109,860	4,735	2,361	116,956

	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial liabilities measured at fair value				
Derivatives	-	1,558	-	1,558
Assets held to cover linked liabilities: Financial liabilities	-	97	-	97
Deposits received from reinsurers	-	2,331	-	2,331
Total financial liabilities measured at fair value	-	3,986	-	3,986

Financial instrument valuation methodology

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment contracts with DPF
The Company has not disclosed fair values for investment contracts with a DPF (disclosed within long term technical provisions and technical provisions for linked liabilities) as fair value ranges for the DPF cannot be reliably estimated. There is no active market for these instruments which will be settled with policyholders in the normal course of business. The assumptions and methods used in the calculation of these liabilities, and the carrying values at the year end, are set out in the accounting policies and note 28.

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

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

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

Significant inputs and input values for Level 3 instruments

Description	**Valuation technique**	**Significant inputs**	**Key unobservable input value**	
			2023	**2022**
Debt securities				
Commercial mortgages	DCF model[1]	Credit spread	N/A	2.5% (weighted average)
Unquoted corporate bonds	DCF model[1]	Credit spread	N/A	1.6% (weighted average)
Income strips	Income capitalisation	Equivalent yield	N/A	6.6% (weighted average)
Infrastructure loans	DCF model[1]	Credit spread	N/A	2.1% (weighted average)
Equity	Single broker [2] and net asset value[3]	Single broker indicative price	N/A	N/A
Unit trusts and other pooled investments	Net asset value statements[3]	N/A	N/A	N/A
Assets held to cover linked liabilities	Individual assets within this category are valued using the applicable valuation techniques and significant inputs for the relevant type of asset, as documented elsewhere within this table			

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

20. Tax assets and liabilities

	Attributable to long-term business		Attributable to non-technical business	
	2023	2022 Restated (note 39)	2023	2022
	£m	£m	£m	£m
Current Tax				
Current tax payable	-	-	-	-
Current tax recoverable	-	125	-	-
	-	125	-	-
Deferred Tax				
Deferred tax assets	-	3	-	-
Deferred tax liabilities	-	(28)	-	-
Net deferred tax assets / (liabilities)	-	(25)	-	-

Movement in deferred tax assets and liabilities

Year ended 31 December 2023

	Attributable to long-term business			
	At 1 January £m	Recognised in the Statement of comprehensive income £m	Amount transferred out on Part VII £m	At 31 December £m
Trading losses	-	45	(45)	-
Expenses and deferred acquisition costs carried forward	43	23	(66)	-
UK GAAP transitional adjustment	-	-	-	-
Provisions and other temporary differences	-	1	(1)	-
Deferred income	2	-	(2)	-
Unrealised gains on investments	(70)	4	66	-
	(25)	73	(48)	-

Year ended 31 December 2022 (Restated note 39)

	At 1 January £m (Restated note 39)	Recognised in the Statement of comprehensive income £m	Foreign exchange difference £m	At 31 December £m (Restated note 39)
Expenses and deferred acquisition costs carried forward	(32)	77	(2)	43
UK GAAP transitional adjustment	(4)	4	-	-
Deferred income	2	-	-	2
Unrealised gains on investments	(122)	52	-	(70)
	(156)	133	(2)	(25)

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

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

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

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

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

The Company has no unrecognised deferred tax assets (2022: nil)

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

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

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

Any benefit arising from these claims was transferred to PLL as part of the Part VII transfer in 2023 under the Financial Service & Markets Act 2000.

21. Assets held to cover linked liabilities

	Cost		Carrying value	
	2023	2022	2023	2022
	£m	£m	£m	£m
Assets held to cover linked liabilities	-	81,757	-	86,182

	2023	2022
	£m	£m
Assets held to cover linked liabilities:		
Financial assets	-	82,904
Financial liabilities	-	(341)
Non-financial items	-	3,619
	-	86,182
Financial Assets		
Financial assets at amortised cost		
Cash and cash equivalents	-	667
Other debtors	-	442
Financial assets at fair value through profit and loss		
Equities	-	2,580
Variable rate income securities	-	408
Fixed rate income securities	-	3,679
Derivative assets	-	58
Unit trusts and other pooled investments	-	75,070
	-	82,904
Financial Liabilities		
Financial liabilities at amortised cost		
Obligations under finance leases	-	(21)
Other creditors	-	(223)
Financial liabilities at fair value through profit and loss		
Derivative liabilities	-	(38)
Other creditors	-	(59)
	-	(341)
Non-financial items		
Investment property	-	3,619
	-	3,619

At 31 December 2022 the £86,182m of assets held to cover linked liabilities are held to cover net liabilities of £86,647m. As permitted under Solvency II, when unit matching in line with the guidance in Article 132 of the Solvency II Directive (covering the Prudent Person principle), assets are not held to cover certain future liabilities to allow for projected surrender values resulting in net liabilities being greater than the related assets held.

22. Debtors: Other debtors

	2023 £m	2022 £m
Initial margins	-	99
Collateral pledged	-	507
Amounts due from related parties - other group undertakings	-	36
Investment broker balances	-	59
Other receivables	-	242
	-	943
Amount recoverable after 12 months	-	-

23. Other Assets: Cash at bank and in hand

	2023 £m	2022 £m
Bank and cash balances	-	50
Total cash at bank and in hand	-	50

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

24. Prepayments and accrued income: Deferred acquisition costs

	2023 £m	2022 £m
At 1 January	213	242
Additions	2	3
Amortisation charge	(16)	(30)
Foreign exchange adjustment	(2)	(2)
Part VII transfer out	(197)	-
At 31 December	-	213
Amount recoverable after 12 months	-	198
Related to contracts with customers: deferred acquisition costs on non-participating investment contracts	-	105

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

	2023 £m	2022 £m
Accrued income	-	6
	-	6

26. Capital and reserves: Called up share capital

	2023 £m	2023 Number	2022 £m	2022 Number
Issued and fully paid:				
Ordinary shares of £0.01 each	25	2,468,403,162	25	2,468,403,162
Non-voting ‘B’ ordinary shares of £1 each	5	5,000,000	5	5,000,000
	30	2,473,403,162	30	2,473,403,162

The holders of the £0.01 ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

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

27. Capital and Reserves: Other Reserves

	Capital contribution reserve £m	Special reserve £m	Restructuring reserve £m	Total £m
At 1 January 2023	14	661	(154)	521
Part VII transfer	-	-	(572)	(572)
At 31 December 2023	14	661	(726)	(51)
At 1 January 2022	14	661	(154)	521
At 31 December 2022	14	661	(154)	521

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

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

Restructuring reserve
On 31 December 2011, the long-term business of Standard Life Investment Funds Limited, a wholly owned subsidiary of the Company, was transferred to the Company, under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000. Following the transfer, £146m was transferred to the restructuring reserve being the difference between the net assets transferred and the value of the investment in subsidiary. Following merger accounting principles this reserve was created to reflect this balance in equity. A further movement in the restructuring reserve of £8m occurred in 2019 representing the difference between the net assets transferred to SLIDAC following the Part VII transfer and the related loan consideration from Phoenix Group Holdings plc. On 30 September 2023, £572m was transferred to PLL under a Scheme of Transfer pursuant to Part VII of the Financial Services and Markets Act 2000.

28. Technical provisions

Long-term business provision and technical provision for linked liabilities

Technical provisions	Long-term business provisions £m	Linked Liabilities £m	Reinsurers share: Long term business provisions £m	Reinsurers Share: linked liabilities £m
At 31 December 2023				
Insurance contracts	-	-	-	-
Investment contracts with DPF	-	-	-	-
Investment contracts without DPF	-	-	-	-
	-	-	-	-
At 31 December 2022 (Restated note 39)				
Insurance contracts	20,409	742	2,286	265
Investment contracts with DPF	10,598	5,244	-	28
Investment contracts without DPF	1,767	83,436	-	2,482
	32,774	89,422	2,286	2,775

Movements in liabilities	Long-term Business Provision £m	Linked Liabilities £m Restated (note 39)	Reinsurers share: Long-term business provisions £m	Reinsurers share: linked liabilities £m
At 1 January 2023	32,774	89,422	2,286	2,775
Premiums / deposits	802	6,085	2	8
Claims / withdrawals	(2,973)	(6,442)	(2)	(245)
Other changes in liabilities	756	1,712	(197)	(147)
Foreign exchange adjustments	(260)	(14)	-	(14)
Part VII transfer (note 4)	(31,099)	(90,763)	(2,089)	(2,377)
At 31 December 2023	-	-	-	-
At 1 January 2022	41,684	100,384	3,065	3,237
Premiums / deposits	1,110	7,207	12	8
Claims / withdrawals	(3,804)	(8,223)	(358)	(59)
Other changes in liabilities	(6,911)	(9,982)	(433)	(447)
Foreign exchange adjustments	695	36	-	36
At 31 December 2022	32,774	89,422	2,286	2,775

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

Assumptions

Valuation of participating insurance and investment contracts

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

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

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

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

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

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

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

	Increase/ (decrease) in insurance liabilities 2023 £m	Increase/ (decrease) in insurance liabilities 2022 £m
Change in longevity assumptions	-	(39)
Change in expenses assumptions	(13)	24
Change in other assumptions	-	(34)

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

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

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

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

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

Policyholder options and guarantees
Some of the Company's products gave potentially valuable guarantees, or gave options to change policy benefits which could be exercised at the policyholders' discretion.

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

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

Some pension contracts included guaranteed annuity options (see deferred annuities below for details). The total amount provided in the with-profits funds in respect of the future costs of guaranteed annuity options at 31 December 2022 was £59m.

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

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

Managing product risk
The following sections give an assessment of the risks associated with the Company's main life assurance products and the ways in which the Company manages those risks. The following tables provide a product analysis of the liabilities under insurance contracts, apportioned between 'technical liabilities' and 'linked liabilities' and reinsurers' share of insurance contract liabilities within the Statement of financial position at 31 December 2022.

2022 Restated (Note 39)	Technical Liabilities			Linked Liabilities		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds						
Pensions						
Deferred annuities	112	90	-	-	-	-
Immediate annuities	23	-	-	-	-	-
Unitised with-profits	7,134	10,384	1,747	-	-	-
Total pensions	7,269	10,474	1,747	-	-	-
Life						
Unitised with-profits	4,842	38	-	-	-	-
Life with-profits	120	66	-	-	-	-
Total life	4,962	104	-	-	-	-
Other	4,310	19	-	258	28	331
Non-profit funds						
Immediate annuities	3,778	-	-	-	-	-
Protection	29	-	-	-	-	-
Unit-linked	22	-	20	484	5,216	83,105
Other	39	1	-	-	-	-
	20,409	10,598	1,767	742	5,244	83,436

2022	Reinsurance		
	Insurance contracts £m	Investment contracts with DPF £m	Investment contracts without DPF £m
With-profits funds			
Other	2,533	28	333
Non-profit funds			
Immediate annuities	12	-	-
Protection	6	-	-
Unit-linked	-	-	2,149
	2,551	28	2,482

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29. Capital Management

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

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

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

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

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

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

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

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

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

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

The 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 at any time during the year.

Capital Policy
The capital policy is set by the Board and ensures there is sufficient capital to cover 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.

30. Risk management

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

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

Part VII transfer

Effective 30 September 2023, the Company's business with the exception of £4m of net assets (required to meet the ongoing Minimum Capital Requirement until de-authorisation) was successfully transferred to a fellow Group company, PLL. Three insurance contract policies were unable to be transferred due to ongoing sanctions on policyholders. The transfer of business moves the majority of risks to PLL. The key risks for the Company are discussed in the following sections.

Intra-Group Reinsurance

For the business which remains in the Company, an intra-Group reinsurance arrangement with PLL is in place which transfers the majority of insurance and financial risks to PLL. Given this, any sensitivity to profit as a result of movements of insurance and market risk variables would be reported as zero on a net of reinsurance basis.

a) Climate risk

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

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

b) Strategic risk

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

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

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

c) Financial risks

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

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

The 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.

(d) Financial Soundness: Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the PRA. Note 29 gives more detail on how capital and capital management risk are managed.

(e) 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.

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

As the Company's remaining business is wholly reinsured to PLL, movements in market conditions have no impact on the liabilities net of reinsurance.

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

The principal source of credit risk for the Company results from direct investment activities, including collective investment schemes and the placing of cash deposits.

The Company's reinsurance arrangement with PLL exposes it to the risk of default in the event that PLL becomes unable to service its obligations under the contract. The financial resilience of PLL, combined with regular monitoring and stress and scenario testing make the probability of a default negligible.

Credit risk exposures from the issuance of insurance contracts are transferred to PLL though a reinsurance arrangement. The Company has no additional credit risk exposures.

The vast majority of credit risk has been transferred from the Company through the Part VII transfer to PLL. Negligible exposure to credit risk remains, which results from assets held to meet the regulatory minimum capital requirement. The Company policy is to only invest in highly rated counterparties to manage the exposure to credit risk. The amount disclosed in the Statement of financial position in respect of all financial assets represents the Company's maximum exposure to credit risk.

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

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, GAO surrender rates, GAO take-up rates, policyholder retirement dates, propensity to commute benefits, transfer out rates or the occurrence of mass lapse event leading to losses.
- Expense risk – unexpected timing or value of expenses incurred

All insurance risk within the Company has been transferred through the reinsurance arrangement that is in place with PLL.

(h) Customer risk

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

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

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

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

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

(i) Operational risk

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

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

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

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

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

Following the Part VII transfer, the vast majority of operational risk has transferred from the Company to PLL.

31. Provisions for other risks: Other provisions

	Known Incidents £m
At 1 January 2023	43
Additional provisions	3
Unused amounts released	(8)
Used during the year	(18)
Part VII Transfer	(20)
Total at 31 December 2023	-
Amount due for settlement after 12 months	-

Known Incidents

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

During the year, £18m provision relating to errors in final encashment calculations for With Profits Trustee Investment Plans were utilised. The Company's provision balance was transferred to PLL following the Part VII transfer on 30 September 2023.

32. Creditors: Other creditors including taxation and social security

	2023 £m	2022 £m
Amount due to related parties – other group undertakings	-	16
Amounts due to related parties – subsidiaries	-	27
Derivative liabilities	-	1,559
Other financial liabilities	-	894
Other payables	-	262
Bank overdraft	-	17
	-	2,775

33. Accruals and deferred income

	2023 £m	2022 £m
Accruals	-	49
Deferred income reserve	-	29
	-	78
Amount due for settlement after 12 months	-	19

34. Commitments

	2023 £m	2022 £m
To subscribe to private equity funds and other unlisted assets	-	360
To purchase, construct or develop investment property	-	44
For repairs, maintenance or enhancements of investment property	-	6
	-	410

35. Related party transactions

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

36. Ultimate parent and ultimate controlling party

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

37. Listing of subsidiaries

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

Company Name	Country of incorporation and principal place of operation	Type and % of holding
G Park Management Company Limited	England and Wales	Ordinary shares, 100%
Gallions Reach Shopping Park (Nominees) Limited	England and Wales	Ordinary shares, 50%
Iceni Nominees (No2) Limited	England and Wales	Ordinary shares, 100%
Inhoco 3107 Limited	England and Wales	Ordinary shares, 50%
SL (NewCo) Limited	Scotland	Ordinary shares, 100%
SLACOM (No8) Limited	Scotland	Ordinary shares, 100%
SLACOM (No9) Limited	Scotland	Ordinary shares, 100%
SLACOM (No10) Limited	Scotland	Ordinary shares, 100%
Standard Life Agency Services Limited	Scotland	Ordinary shares, 100%
Standard Life Investment Funds Limited	Scotland	Ordinary shares, 100%
Standard Life Property Company Limited	Scotland	Ordinary shares, 100%
The Heritage Securities and Mortgage Investment Association Limited	Scotland	Ordinary shares, 100%
Wellbrent Property Investment Company Limited	England and Wales	Ordinary shares, 100%

Subsidiaries incorporated in England and Wales have the registered office address 280 Bishopsgate, London. EC2M 4AG

Subsidiaries incorporated in Scotland have the registered office address Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.

38. Impacts of transition to UK GAAP and prior year restatement

Reconciliation of equity	**Notes**	31 December 2022 £m	31 December 2021 £m
Transition to UK GAAP			
Equity prior to transition as reported under IFRS		778	866
Valuation of technical provisions	a	(9)	18
Valuation of investments held for strategic purposes	b	25	16
With-profits deferred acquisition costs elimination	c	(13)	(15)
Tax impact of transition adjustments	d	3	(1)
Equity as reported under UK GAAP prior to restatement		784	884
Prior year restatement			
Increase in technical provisions for linked liabilities	e	(66)	(38)
Tax impact of restatement adjustments	f	1	1
Equity as reported under UK GAAP following restatement		719	847

Reconciliation of total comprehensive income	**Notes**	31 December 2022 £m
Transition to UK GAAP		
Total comprehensive income prior to transition as reported under IFRS		207
Valuation of technical provisions	a	(27)
Valuation of investments held for strategic purposes	b	9
With-profits deferred acquisition costs elimination	c	2
Tax impact of transition adjustments	d	4
Total comprehensive income as reported under UK GAAP prior to restatement		195
Prior year restatement		
Technical provisions for linked liabilities	e	(28)
Total comprehensive income as reported under UK GAAP following restatement		167

Transition adjustments

a) Valuation of technical provisions

Under UK GAAP, technical provisions are measured under FRS 103 and IFRS 9. There are no material required changes in the measurement from that previously reported under IFRS 4 & IAS 39. 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 noted above. There is no impact to the recognition or de-recognition, classification or measurement category of technical provisions or financial instruments as a result of the transition to UK GAAP.

b) Adjustment to investment in subsidiaries

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

For subsidiaries held in with-profit funds, there is an offsetting movement in FFA, which is included in the valuation of technical provisions in the table above. There is a net nil impact to profit and equity as a result. The change in value for these subsidiaries was £19m at 31 December 2022 (2021: £17m).

c) Deferred acquisition costs

FRS 103 does not allow for the deferral of acquisition costs on with-profit funds. These were previously deferred under IFRS 4 Insurance Contracts. On transition, £15m (2022: £13m) was written off, with an offsetting movement in FFA which is included in valuation of technical provisions above. This results in a net nil impact to profit and equity.

d) Tax impact of transition adjustments

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

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

Restatement adjustments

e) Increase in technical provisions for linked liabilities

The Company identified an historic calibration error in the calculation of technical provisions for linked liabilities and an unrelated accounting error in relation to tax on unit linked funds at 31 December 2022, which resulted in technical provisions for linked liabilities and tax assets being understated and profit and equity being overstated in the prior years as noted above.

f) Tax impact of restatement adjustments

The impact to tax from the restatements in e) above.

39. Restatement of prior year balances

An historic calibration error in the calculation of technical provisions for linked liabilities along an incorrect tax liability on unit linked funds at 31 December 2022 resulted in technical provisions for linked liabilities and tax assets being understated and profit and equity being overstated in the prior years. The error has been corrected by restating each of the affected financial statement line items for the prior period as noted below.

Additionally, following the Part VII transfer of business to SLIDAC in 2019, the foreign exchange gains and losses on reinsurance accepted by the Company had been recognised in other comprehensive income. These gains and losses arose from transactions rather than a separate and distinct foreign operation and have been restated with an impact to the profit for the year ended 31 December 2022 of £9m and a net nil impact to both total comprehensive income and equity.

The financial statements have also transitioned to UK GAAP from IFRS. The below table is presented after transition to UK GAAP. Details of the impact of the transition to UK GAAP are shown in note 38.

Statement of comprehensive income (extract)	Balance prior to restatement 2022 £m	Adjustment 2022 £m	Restated 2022 £m
Unrealised losses on investments	(21,888)	9	(21,897)
Change in technical provisions for linked liabilities, net of reinsurance	9,937	(28)	9,909
Profit for the year	186	(19)	167
Other comprehensive income	9	(9)	-
Total comprehensive income for the year	195	(28)	167

Statement of financial position (extract)	Balance prior to restatement 2022 £m	Adjustment 2022 £m	Restated 2022 £m
Total assets	128,586	-	128,586
Profit and loss account	115	(65)	50
Total capital and reserves	784	(65)	719
Technical provisions for linked liabilities	89,356	66	89,422
Deferred taxation	29	(1)	28
Total liabilities	127,802	65	127,867
Total equity and liabilities	128,586	-	128,586

Statement of changes in equity (extract)	Balance prior to restatement 2022 £m	Adjustment 2022 £m	Restated 2022 £m
Total equity at 1 January 2022	884	(37)	847
Profit for the year	186	(19)	167
Other comprehensive income for the year	9	(9)	-
Total comprehensive income for the year	195	(28)	167
Total equity at 31 December 2022	784	(65)	719