IMPALA HOLDINGS LIMITED

Company Registration Number: 06306909

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

Contents

Strategic report

The Directors present the Strategic report of Impala Holdings Limited ('the Company') for the year ended 31 December 2022.

Principal activities

The principal activity of the Company is that of an investment company. This will continue to be the principal activity for the foreseeable future.

Corporate activity

Result and dividends

The results of the Company for the year are shown in the income statement on page 9. The loss before tax was £166.5m (2021: £151.1m). The increase in the loss before tax for the year is mainly attributable to an increase of £13.3m in Group recharges during 2022.

No dividends were paid during the current or previous year.

Position as at 31 December 2022

The net assets of the Company at 31 December 2022 were £2,210.1m (2021: £2,157.8m). The increase in the period reflects the receipt of a capital contribution of £200.0m (2021: £nil) and the loss after taxation arising in the period of £147.7m (2021: £127.4m).

Principal risks and uncertainties

The Phoenix Group, of which the Company is a member, applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

The principal risks and uncertainties facing the Company are:

- interest rate risk, since the movement in interest rates will impact the value of interest payable by the Company;
- liquidity risk, as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements; and
- credit risk, arising from the default of the counterparty to a particular financial asset, with the carrying value of the asset representing the Company's maximum exposure to credit risk.

The Company's exposure to all these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis.

Key Performance Indicators ('KPIs')

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board

DocuSigned by:

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W Swift
Director
29 September 2023

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2022.

The Company is incorporated in England as a private limited company. Its registration number is 06306909 and its Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

Going concern

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, the Strategic report discusses the principal risks and uncertainties it faces. Note 21 to the financial statements summarises 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' (issued April 2016) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared cash flow forecasts for the Company for twelve months from the signing date to 30 September 2024.

Furthermore, the Company's subsidiaries, as listed in note 16, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide letters of support to three subsidiaries: £35.0m to Pearl Group Holdings (No. 1) Limited, £25.0m to Pearl Life Holdings Limited, and £40.0m to Phoenix Group Management Services Limited. The Company will provide the financial support from the date of authorisation of the financial statements to 30 September 2024.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for twelve months from the signing date to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

R Thakrar	
W Swift	
S Perowne	Resigned 30 March 2022

Secretary

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

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 auditors

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 auditors are 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 auditors are 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.

Statement on Business Relationships

Business relationships with customers

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Specifically, Board papers presented to the directors of Impala Holdings Limited require authors to consider and provide detail relating to the potential impact of any 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 Phoenix Group Holdings plc are the principal leads on maintaining relationships with suppliers.

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

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

On behalf of the Board

DocuSigned by:

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W Swift
Director
29 September 2023

Statement of Directors' responsibilities

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

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

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK adopted IFRS, 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 Impala Holdings Limited

Opinion

We have audited the financial statements of Impala Holdings Limited (the 'Company') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

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

Basis for opinion

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

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 until 30 September 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards and the Companies Act 2006) and the relevant direct tax regulation in the United Kingdom.
- We understood how the Company is complying with those frameworks by making inquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- 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 the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We identified the risk of material fraud related to management override of controls. We evaluated the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions.

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making inquiry of senior management and internal audit for their awareness of any non-compliance of laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers, inquiring about the Company's method of enforcing and monitoring compliance with such policies and inspecting significant correspondences with the regulators.

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.

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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Satty Khangura (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 29 September 2023

Income statement
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Revenue			
Investment income	3	1.9	-
Total income		1.9	-
Expenses			
Impairment of investments in subsidiaries	16	(52.4)	(56.2)
Administrative expenses	4	(37.0)	(23.7)
Total operating expenses		(89.4)	(79.9)
Loss before finance costs and tax		(87.5)	(79.9)
Finance costs	8	(79.0)	(71.2)
Loss for the year before tax		(166.5)	(151.1)
Tax credit	9	18.8	23.7
Total loss for the year attributable to owners		(147.7)	(127.4)

Statement of financial position
as at 31 December 2022

	Notes	As at 31 December 2022 £m	As at 31 December 2021 £m
Equity attributable to owners			
Share capital	10	478.0	478.0
Share premium	11	1,600.0	1,600.0
Capital contribution	12	959.8	759.8
Retained earnings		(827.7)	(680.0)
Total equity		2,210.1	2,157.8
Non-current liabilities			
Long term borrowings	13	3,822.5	3,743.5
Total non-current liabilities		3,822.5	3,743.5
Current liabilities			
Current tax	14	1.9	1.9
Amounts due to Group entities	15	8.7	6.6
Other payables		0.2	4.5
Total current liabilities		10.8	13.0
Total liabilities		3,833.3	3,756.5
Total equity and liabilities		6,043.4	5,914.3
Non-current assets			
Investments in subsidiaries	16	5,731.8	5,584.2
Deferred tax assets	14	11.4	23.7
Total non-current assets		5,743.2	5,607.9
Current assets			
Loans and receivables	17	275.7	-
Amounts due from Group entities	18	24.5	305.7
Financial assets	19	-	0.7
Total current assets		300.2	306.4
Total assets		6,043.4	5,914.3

On behalf of the Board

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W Swift
Director
29 September 2023

Statement of cash flows
for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash (utilised in)/generated by operations	20	(7.3)	0.5
Net cash flows from operating activities		(7.3)	0.5
Cash flows from investing activities			
Loans advanced to Group companies		6.6	-
Capital contribution paid to subsidiary	16	(200.0)	-
Disposal/(acquisition) of financial assets		0.7	(0.5)
Net cash flows used in investing activities		(192.7)	(0.5)
Cash flows from financing activities			
Receipt of capital contribution	12	200.0	-
Net cash flows from financing activities		200.0	-
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

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

	Share capital (note 10) £m	Share premium (note 11) £m	Capital contribution (note 12) £m	Retained earnings £m	Total £m
At 1 January 2022	478.0	1,600.0	759.8	(680.0)	2,157.8
Total comprehensive loss for the year	-	-	-	(147.7)	(147.7)
Receipt of capital contribution	-	-	200.0	-	200.0
At 31 December 2022	478.0	1,600.0	959.8	(827.7)	2,210.1

	Share capital (note 10) £m	Share premium (note 11) £m	Capital contribution (note 12) £m	Retained earnings £m	Total £m
At 1 January 2021	478.0	1,600.0	759.8	(552.6)	2,285.2
Total comprehensive loss for the year	-	-	-	(127.4)	(127.4)
At 31 December 2021	478.0	1,600.0	759.8	(680.0)	2,157.8

The capital contribution is considered a distributable reserve with no restrictions. Total distributable reserves are £132.1m (2021: £79.8m).

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

The financial statements for the year ended 31 December 2022 have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

The Directors have followed the UK Financial Reporting Council's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (issued April 2016) when performing their going concern assessment. The liquidity assessment considered the ability to meet liabilities as they fall due under a base case scenario.

Furthermore, the Company's subsidiaries, as listed in note 16, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide letters of support to three subsidiaries: £35.0m to Pearl Group Holdings (No. 1) Limited, £25.0m to Pearl Life Holdings Limited, and £40.0m to Phoenix Group Management Services Limited. The Company will provide the financial support from the date of authorisation of the financial statements to 30 September 2024.

As a result of this review, the Directors believe the Company has adequate resources to continue to meet liabilities as they fall due for the period up to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements are separate financial statements and the exemption in section 400 of the Companies Act 2006 has been used not to present consolidated financial statements.

The Company's immediate parent is Phoenix Life Holdings Limited whose Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. The results of the Company are consolidated into the accounts of the Company's ultimate parent, parent Phoenix Group Holdings plc ('PGHP'), a company incorporated in England and Wales. The registered address of PGHP is 20 Old Bailey, London, EC4M 7AN.

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

Statement of compliance

The financial statements have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

The financial statements are presented in sterling (£) rounded to the nearest £0.1m except where otherwise stated.

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 income statement unless required or permitted by an IFRS or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the determination of income taxes, fair value of financial instruments, impairment tests for investments in subsidiaries and financial assets.

Income taxes

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the losses can be relieved. The UK taxation regime applies separate rules to trading and capital profits and losses. The distinction between temporary differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets.

The accounting policy for income taxes (both current and deferred taxes) is discussed in more detail in accounting policy (c).

Fair value of financial instruments
The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (f). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

Impairment of investments in subsidiaries
Investments in subsidiaries are subject to regular impairment reviews when management are aware of objective evidence of impairment. Impairments of investments in subsidiaries are measured at the difference between the carrying value of a particular asset and its value in use (life businesses) and recoverable amount (other holding entities). Impairments are recognised in the income statement in the period in which they occur. The Company's policies in relation to impairment testing of investments in subsidiaries are detailed in accounting policy (e).

Impairment of financial assets
The impairment provisions for financial assets disclosed in accounting policy (h) are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see accounting policy (h).

How Climate risk affects our accounting judgments and estimates
In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial assets. 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.

(c) Income tax
Income tax comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in the income statement or statement of changes in equity, in which case it is recognised in the respective statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years, except to the extent that it relates to items recognised in the statement of changes in equity, in which case it is recognised in that statement.

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

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

(d) 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 through the income statement over the period of the borrowing using the effective interest method.

(e) Investments in subsidiaries
Investments in shares in companies held for strategic purposes are carried in the statement of financial position at cost less impairment.

The Company assesses at each reporting date whether an investment in a subsidiary or group of investments in subsidiaries held at cost is impaired. The Company first assesses whether objective evidence of impairment exists. If objective evidence of impairment exists the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount as an expense in the income statement. The impact of any impairments recognised in respect of investments in subsidiaries is set out in note 16.

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method. Gains and losses are recognised in the income statement through the amortisation process.

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

(g) Derivatives

Derivative financial instruments are classified as held for trading. They are recognised initially at fair value and subsequently are re-measured to fair value. The gain or loss on re-measurement to fair value is recognised in the income statement.

Fair value estimation

The fair value of financial instruments traded in active markets such as 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.

(h) Financial assets

Classification of Financial assets

Financial assets are measured at amortised cost where they have:

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

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

There has been no change in the classification of collective investment schemes which continue to be designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value.

Impairment of financial assets carried at amortised cost

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

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ('ECL'). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs. See note 21 for detail of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

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

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

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

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

(i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(j) Share capital and capital contributions

Ordinary share capital
The Company has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in the statement of changes in equity, net of tax.

Capital contributions
Capital contributions received by the Company and which contain no restrictions are recognised directly in the statement of changes in equity as a distributable reserve.

(k) Income recognition
Investment income comprises interest, dividends, and fair value gains and losses on financial assets.

Interest income is recognised in the income statement as it accrues using the effective interest method. Dividend income and interest income on perpetual subordinated loans and receivables are recognised in the income statement on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

(l) Finance costs
Interest payable is recognised in the income statement as it accrues and is calculated using the effective interest method

(m) 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.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

(n) 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.

2. Financial information

The financial statements for the year ended 31 December 2022, set out on pages 9 to 27 were authorised by the Board of Directors for issue on 25 September 2023.

In preparing the financial statements, the Company has adopted the following amendments effective from 1 January 2022:

- **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37):** The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract should include all costs that relate directly to the contract. Such costs should include: the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling the contract.
- **Reference to the Conceptual Framework (Amendments to IFRS 3):** In addition to updating references to the conceptual framework within IFRS 3, the amendments also add a requirement for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets to determine whether at the acquisition date a present obligation exists as a result of past events.
- **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16):** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Such sales proceeds and related costs are recognised in profit or loss; and
- **Annual Improvements (2018–2020 Cycle):**
    - Subsidiary as a First-time Adopter (Amendments to IFRS 1);
    - Fees in the '10 per cent' Test for De-recognition of Financial Liabilities (Amendments to IFRS 9);
    - Lease Incentives (Amendments to IFRS 16); and
    - Taxation in Fair Value Measurements (Amendments to IAS 41).

None of the above amendments to standards are considered to have a material effect on these financial statements.

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

- **Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023):** The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have any impact on the Company.
- **Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023):** The amendments replace the definition of a 'change in accounting estimates' with a definition of 'accounting estimates'. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. These amendments are not expected to have any impact on the Company.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023):** The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences. There will potentially be some additional disclosures required in relation to the Company's leasing arrangements as a result of implementing these amendments.
- **Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (1 January 2024):** The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.
- **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) (1 January 2024):** The amendments relate to how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. On initial recognition, the seller-lessee is required to include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction. After initial recognition, they are required to apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognised. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation. These amendments are not expected to have any impact on the Company.

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

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

- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);**
- **Definition of Accounting Estimates (Amendments to IAS 8); and**
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).**

3. Investment income

	2022 £m	2021 £m
Interest income on loans and receivables	1.9	-

Interest income on loans and receivables includes interest of £1.9m (2021: £nil) on loans to Group entities.

4. Administrative expenses

	2022 £m	2021 £m
Recharged service and project costs	37.0	23.7

5. Employee information

The Company has no employees. Services are provided by Phoenix Group Management Services Limited, Pearl Group Services Limited and Standard Life Assets and Employee Services Limited.

6. Directors' remuneration

The Directors received the following for their qualifying services as Directors of the Company.

	2022 £	2021 £
Salaries and other short-term benefits	84,494	99,638
Redundancy	13,646	-
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	98,140	99,638
Share-based payments	57,756	66,800
Contributions to money purchase pension scheme	1,726	1,899

	2022 £	2021 £
Highest paid Directors' remuneration:		
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	59,275	53,910
Share-based payments	50,925	47,300
Contributions to money purchase pension schemes	210	182
Number of Directors who are members of a money purchase pension scheme	2	3
Number of Directors who exercised share options during the year	3	3

The Directors are employed by either Phoenix Group Management Services Limited or Pearl Group Services Limited. The total compensation paid to the Directors of the Company relates to services to the Company, irrespective of which entity within the Phoenix Group has paid the compensation.

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.

During the year to 31 December 2022, key management personnel and their close family members contributed £37,000 (2021: £441,000) to pensions and savings products sold by the Group. At 31 December 2022, the total value of their investments in Group pensions and savings products was £171,000 (2021: £717,000).

7. Auditor's remuneration

The remuneration of the auditor of the Company included in the financial statements was £0.1m (2021: £0.1m).

8. Finance costs

	2022 £m	2021 £m
Interest expense on borrowings at amortised cost	79.0	71.2

Interest expense on borrowings at amortised cost includes interest of £79.0m (2021: £71.2m) on loans from Group companies.

9. Tax credit

Current year tax credit

	2022 £m	2021 £m
Current tax		
UK Corporation tax	(20.4)	-
Adjustment in respect of prior periods	(10.7)	-
Total current tax	(31.1)	-
Deferred tax		
Origination and reversal of temporary differences	(1.3)	(18.0)
Changes in the rate of UK corporation tax	(0.4)	(5.7)
Adjustment in respect of prior periods	14.0	-
Total deferred tax	12.3	(23.7)
Total tax credit	(18.8)	(23.7)

Reconciliation of tax credit

	2022 £m	2021 £m
Loss for the year before tax	(166.5)	(151.1)
Tax at standard UK rate of 19.00% (2021: 19.00%)	(31.6)	(28.7)
Deferred tax rate change	(0.4)	(5.7)
Non-deductible impairment	9.9	10.7
Adjustment in respect of prior periods	3.3	-
Total tax credit for the year	(18.8)	(23.7)

10. Share capital

	2022 £m	2021 £m
Issued and fully paid:		
40,000,200 (2021: 40,000,200) ordinary 'A' shares of £1 each	40.0	40.0
438,000,000 (2021: 438,000,000) ordinary 'B' shares of £1 each	438.0	438.0
2 (2021: 2) ordinary 'C' shares of £1 each	-	-
6 (2021: 6) ordinary 'D' shares of £1 each	-	-
	478.0	478.0

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

The holders of the A and B ordinary shares are entitled to:

- Receive dividends, at the discretion of the Directors out of the profits of the Company that are available for distribution and are resolved to be distributed;
- One vote for every share of which they are the holder.

The holders of the C and D ordinary shares are entitled to:

- No right to receive dividends out of the profits of the Company and no right otherwise to share in the profits of the Company;
- No right to vote.

On a distribution of the assets of the Company among its members on a winding up or other return of capital (other than a redemption or purchase by the Company of its own Shares) the A ordinary shares, the B ordinary shares, the C ordinary shares and the D ordinary shares shall rank pari passu and accordingly the holders of the A ordinary shares, the B ordinary shares, the C ordinary shares and the D ordinary shares shall out of the remaining assets available for distribution to the holders of such shares be entitled to participate in such proportion of such surplus in proportion to the aggregate Issue Price of the A ordinary shares, the B ordinary shares, the C ordinary shares and D ordinary shares held by each of them as if they were all shares of the same class.

11. Share premium

	2022 £m	2021 £m
At 1 January and 31 December	1,600.0	1,600.0

12. Capital contribution

	2022 £m	2021 £m
At 1 January	759.8	759.8
Receipt of capital contribution	200.0	-
At 31 December	959.8	759.8

On 14 October 2022, the Company received a capital contribution of £200.0m (2021: £nil), from its immediate parent, Phoenix Life Holdings Limited.

Capital contributions have been treated as a distributable reserve with no restrictions.

13. Borrowings

	Carrying value		Fair value	
	2022 £m	2021 £m	2022 £m	2021 £m
Amounts owed to Group entities :				
(i) Pearl Group Holdings (No. 1) Limited	3,027.0	2,964.5	3,000.7	2,952.9
(ii) Pearl Life Holdings Limited	795.5	779.0	788.6	775.9
Total borrowings	3,822.5	3,743.5	3,789.3	3,728.8
Amounts due for settlement within 12 months	-	-		
Amounts due for settlement after 12 months	3,822.5	3,743.5		

The Company has received the following loans from certain of its subsidiaries:

(i) The Company entered into a loan facility with Pearl Group Holdings (No. 1) Limited. The loan accrues interest of a compounded SONIA rate plus 0.78% and has a maturity date of 31 December 2026.

Interest of £62.5m (2021: £56.5m) was capitalised in the year.

(ii) The Company entered into a loan facility with Pearl Life Holdings Limited. The loan accrues interest of a compounded SONIA rate plus 0.78% and has a maturity date of 31 December 2026.

Interest of £16.5m (2021: £14.9m) was capitalised in the year.

Determination of fair value and fair value hierarchy of long-term borrowings

Borrowings are categorised as Level 3 financial instruments. The fair value of 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.

There were no level 1 or level 2 borrowings in 2022 or 2021.

There were no fair value gains or losses recognised in other comprehensive income.

14. Tax assets and liabilities

	2022 £m	2021 £m
Current Tax		
Current tax payable	1.9	1.9
Deferred Tax		
The balances at 31 December comprise:		
Deferred tax assets	11.4	23.7

Deferred tax assets comprise:

	2022 £m	2021 £m
Tax losses	11.4	23.7

Movement in deferred tax assets and liabilities:

Year ended 31 December 2022

	1 Jan	Recognised in the income statement £m	Recognised in other comprehensive income £m	31 Dec £m
Tax losses carried forward	23.7	(12.3)	-	11.4
	23.7	(12.3)	-	11.4

Year ended 31 December 2021

	1 Jan	Recognised in the income statement £m	Recognised in other comprehensive income £m	31 Dec £m
Tax losses carried forward	-	23.7	-	23.7
	-	23.7	-	23.7

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 enacted on 10 June 2021. Accordingly, deferred tax assets and liabilities, where provided, are reflected at rates between 19% and 25% depending on the expected timing of the reversal of the relevant temporary difference.

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

	2022 £m	2021 £m
Deferred tax assets have not been recognised in respect of:		
Tax losses carried forward	0.6	0.6

15. Amounts due to Group entities

	2022 £m	2021 £m
Other borrowings owed to Group entities	8.7	6.6

Amounts owed to Group entities consists of £8.7m short-term intra-group borrowings (2021: £6.6m).

16. Investments in subsidiaries

	2022 £m	2021 £m
Cost		
At 1 January	7,164.7	7,164.7
Capital contributions made to subsidiaries	200.0	-
At 31 December	7,364.7	7,164.7
Impairment		
At 1 January	(1,580.5)	(1,524.3)
Impairment charge	(52.4)	(56.2)
At 31 December	(1,632.9)	(1,580.5)
Carrying amount		
At 31 December	5,731.8	5,584.2

On 14 October 2022, the Company made a capital contribution of £200.0m to Pearl Life Holdings Limited (2021: £nil).

Where indicators of impairment have been identified the carrying value of the Company's investments in its subsidiaries has been tested for impairment at the period end. Following an assessment of the Company's investments in its subsidiaries, impairments of £52.4m (2021: £56.2m) were recognised to align the carrying value of certain investments to their recoverable amount.

The value in use has been used as the recoverable amount. The value in use for subsidiaries has been assessed using excess of assets over liabilities determined on a Solvency II basis.

The subsidiaries of the Company at 31 December 2022 were as follows:

	Country of incorporation and principal place of operation	Class of shares held (wholly-owned unless otherwise indicated)
BA (FURBS) Limited *	UK	Ordinary shares of £1
Britannic Group Services Limited *	UK	Ordinary shares of £1
CH Management Limited ∞	USA	Ordinary shares of $1
IH (Jersey) Limited ∂	Jersey	Ordinary shares of £1
Pearl Group Holdings (No. 1) Limited †	UK	Ordinary shares of £0.05
Pearl Group Secretariat Services Limited *	UK	Ordinary shares of £1
Pearl Life Holdings Limited *	UK	Ordinary shares of £1
Pearl RLG Limited *	UK	Ordinary shares of £1
Phoenix Customer Care Limited *	UK	Ordinary shares of £1
Phoenix Group Capital Limited *	UK	Ordinary shares of £1
Phoenix Group Management Services Limited *	UK	Ordinary shares of £1

The Company also owns the following principal subsidiaries through the subsidiary companies listed above:

PA (GI) Limited *	UK	Ordinary shares of £0.01 and Deferred shares of £0.25
Phoenix ER1 Limited *	UK	Ordinary shares of £1
Phoenix ER3 Limited *	UK	Ordinary shares of £1
Phoenix ER4 Limited *	UK	Ordinary shares of £1
Phoenix ER5 Limited *	UK	Ordinary shares of £1
Phoenix ER6 Limited *	UK	Ordinary shares of £1
Phoenix Life Limited *	UK	Ordinary shares of £1
Phoenix SPV1 Limited *	UK	Ordinary shares of £1
Phoenix SPV2 Limited *	UK	Ordinary shares of £1
Phoenix SPV3 Limited *	UK	Ordinary shares of £1
Phoenix SPV4 Limited *	UK	Ordinary shares of £1
Phoenix Unit Trust Managers Limited *	UK	Ordinary shares of £1
SunLife Limited *	UK	Ordinary shares of £1

The companies are principally engaged in the transaction of long term insurance or related business. All holdings represent 100% of the normal issued share capital, unless stated otherwise.

* : The registered address of these companies is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.
∞ : The registered address of this company is 103 Foulk Road, Suite 202, Wilmington, DE 19803.
∂ : The registered address of this company is Vistra (Jersey) Limited, 4th Floor, St Pauls Gate, 22-24 New Street, St Helier, Jersey, Jersey, JE1 4TR.
† : The registered address of this company is 20 Old Bailey, London, EC4M 7AN.

17. Loans and receivables

	Carrying value		Fair value	
	2022	2021	2022	2021
	£m	£m	£m	£m
Loans to Group entities at amortised cost				
(i) Cash pooling facility	275.7	-	275.7	-
Amounts due within 12 months	275.7	-		
Amounts due after 12 months	-	-		

The Company has advanced the following loans:

(i) On 13 September 2022, the Company along with certain fellow subsidiaries, entered into an uncommitted intra-group cash-pooling facility with Phoenix Group Holdings plc ('PGHP'), under which the Company will either borrow funds from, or lend funds to, PGHP. All amounts due under the facility attract interest at SONIA and are repayable on demand. The amounts owed to the Company by PGHP at the commencement of the facility were included within it, and the Company received repayments of £6.6m during 2022. Interest of £1.9m was capitalised during the year.

The loan is not considered to be past due or impaired.

Determination of fair value and fair value hierarchy of loans to Group entities

Loans and receivables are categorised as Level 3 financial instruments. The fair value of loans to Group entities 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.

There were no level 1 or level 2 loans to Group entities in 2022 or 2021.

There were no fair value gains or losses recognised in other comprehensive income.

18. Amounts due from Group entities

	2022 £m	2021 £m
Amounts due from Group entities	24.5	305.7

Amounts due from Group entities consists of £0.6m short-term intra-group borrowings (2021: £305.7m) and group relief receivables of £23.9m (2021: £nil).

19. Financial assets

	2022 £m	2021 £m
Financial assets at fair value through profit or loss		
Designated upon initial recognition		
Open ended investment companies – level 1	-	0.7

All amounts are recoverable within 12 months.

Determination of fair value and fair value hierarchy of financial assets

The open ended investment companies are categorised as Level 1 financial instruments. The fair value of Level 1 financial instruments traded in active markets (such as publicly traded securities and derivatives) is 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. If the bid price is unavailable a 'last traded' approach is adopted. For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid values.

There were no level 2 or 3 financial assets in 2022 or 2021.

20. Cash flows from operating activities

	2022 £m	2021 £m
Loss for the year before tax	(166.5)	(151.1)
Adjustments to reconcile profit for the year to net cash inflow from operating activities in respect of:		
Impairment of investment in subsidiary	52.4	56.2
Investment income	(1.9)	-
Interest expense on borrowings	79.0	71.2
Changes in operating assets and liabilities	29.7	24.2
Cash (utilised in)/generated by operations	(7.3)	0.5

21. Capital and risk management

The Company's capital comprises share capital and all reserves. At 31 December 2022, total capital was £2,210.1m (2021: £2,157.8m). The movement in capital in the year comprises the receipt of a capital contribution of £200.0m (2021: £nil) and the loss after taxation arising in the period of £147.7m (2021: £127.4m).

The Company's capital is monitored by the Directors and managed on an on-going basis via a monthly review process to ensure that it remains positive at all times.

The principal risks and uncertainties facing the Company are:

- Interest rate risk
  The movement in interest rates will impact the value of interest payable and receivable by the Company.

  An increase of 1% in interest rates, with all other variables held constant, would result in a decrease in profit after tax in respect of a full financial year and in equity of £30.9m (2021: £30.2m). A decrease of 1% in interest rates, with all other variables held constant, would result in an increase in profit after tax in respect of a full financial year and in equity of £30.9m (2021: £30.2m).

- Liquidity risk
  Exposure to liquidity risk arises as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements. The following table provides a maturity analysis showing the remaining contractual maturities of the Company's undiscounted financial liabilities and associated interest.

		1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	Total £m
2022	Borrowings	-	4,272.6	-	4,272.6
	Current liabilities	10.8	-	-	10.8
2021	Borrowings	-	4,155.0	-	4,155.0
	Current liabilities	13.0	-	-	13.0

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

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

Category	Description	Basis for recognising an expected credit loss ('ECL')
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Phoenix Group has no realistic prospect of recovery	Amount is written off

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

2022	Note	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Loans and receivables	17	A+	Performing	12m ECL	275.7	-	275.7
Amounts owed by Group entities	18	N/A	Performing	12m ECL	24.5	-	24.5

2021	Note	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Financial assets	19	AAA	Performing	12m ECL	0.7	-	0.7
Amounts owed by Group entities	18	A+	Performing	12m ECL	132.7	-	132.7
Amounts owed by Group entities	18	N/A	Performing	12m ECL	173.0	-	173.0

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

Financial assets – the Company's financial assets are held in open-ended investment companies have investment grade ratings. The Company considers that its financial assets have a low credit risk based on the credit ratings, and there being no history of default.

Amounts owed by Group entities – the Company is exposed to credit risk relating to amounts owed by Group entities, which is considered low risk. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing whether there has been any historic defaults, by reviewing the going concern assessment of the borrower, the long term stability of the Phoenix Group and the ability of the parent company to prevent a default by providing a capital or cash injection.

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

The Company's exposure to all these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis.

22. Related party transactions

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

The Company receives management services from fellow subsidiaries within the Phoenix Group, in the form of project and recharged services, under management services agreements. The costs incurred by the Company for the year ended 31 December 2022 amounted to £37.0m (2021: £23.7m).

In the year ended 31 December 2022, the Company incurred interest expenses on loans from its subsidiaries of £79.0m (2021: £71.2m).

Amounts due to related parties

	2022 £m	2021 £m
Loans due to subsidiaries	3,822.5	3,743.5
Other amounts due to subsidiaries	3.4	-
Other amounts due to fellow subsidiaries	5.3	6.6

Amounts due from related parties

	2022 £m	2021 £m
Loans due from ultimate parent	275.7	-
Other amounts due from fellow subsidiaries	24.5	305.7

Key management compensation
The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6.

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 24.

23. Events after the reporting date

There were no subsequent events which require adjustment and / or disclosure in these financial statements..

24. Other information

The Company is a private company limited by shares. Its principal place of business is the United Kingdom. The Company's immediate parent is Phoenix Life Holdings Limited and its ultimate parent is Phoenix Group Holdings plc ('PGHP'), a company incorporated in the United Kingdom. A copy of the financial statements of PGHP can be obtained from the Company Secretary, The Phoenix Group, 20 Old Bailey, London, EC4M 7AN or www.thephoenixgroup.com.