

PHOENIX AW LIMITED

Company Registration Number: 01225468

DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2018

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Directors' report

The Directors present their Report and the Financial Statements of Phoenix AW Limited ("the Company") for the year ended 31 December 2018.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is 01225468 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). In previous years the financial statements of the Company were prepared in accordance with applicable United Kingdom Generally Accepted Accounting Principles ("UK GAAP") and the comparative information has been restated accordingly. Information on the effect of the transition to IFRS is given in note 3.

Business review

Principal activities

The company has not traded during the year.

Corporate activities

Following the Part VII transfer of the Company's long term insurance business ("the Scheme") approved by the High Court on 30 September 2017, an application was successfully submitted to the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA") to cancel the Company's authorisation to undertake long term business.

Following deauthorisation on 9 March 2018, the remaining assets of £4m were transferred by the Company in accordance with the Scheme to PLL for £nil consideration.

Result and dividends

The results of the Company for the year are shown in the statement of comprehensive income on page 7. The loss before tax was £4m (2017: loss £53m).

No dividends were paid during the year (2017: £5m).

Principal risks and uncertainties

The Phoenix Group 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.

Following deauthorisation, the Company is not expected to be exposed to any material risks.

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.

Going concern

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. As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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:

D Cheeseman
S Clarke (resigned 9 March 2018)
J Lister (resigned 9 March 2018)
D Miller (resigned 9 March 2018)
A Moss
N Poyntz-Wright (resigned 9 March 2018)
A Snow (resigned 9 March 2018)
S True (resigned 9 March 2018)
M Urmston (resigned 9 March 2018)

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.

Small companies' exemption

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

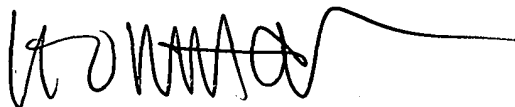
Disclosure of information to auditor

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

Re-appointment of auditor

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

On behalf of the Board



L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

13 June 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Company 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 International Financial Reporting Standards as adopted by the European Union ("IFRS"). 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 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 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 Phoenix AW Limited

Opinion

We have audited the financial statements of Phoenix AW Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4 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.

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.

Ernst & Young LLP.

Robin Enstone (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

KE June 2019

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Statement of comprehensive income
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Gross premiums written		-	130,778
Less: premiums ceded to reinsurers		-	(130,778)
Net premiums written		-	-
Fees and commissions	5	-	(633)
Net investment income	6	-	776,378
Total revenue, net of reinsurance payable		-	775,745
Loss on transfer of business	4	(4,000)	(53,556)
Net income		(4,000)	722,189
Policyholder claims		-	(42,288)
Less: reinsurance recoveries		-	42,288
Change in insurance contract liabilities		-	(643)
Change in reinsurers' share of insurance contract liabilities		-	643
Net policyholder claims and benefits incurred		-	-
Change in investment contract liabilities		-	(775,160)
Administrative expenses	7	-	(30)
Total operating expenses		-	(775,190)
Loss before finance costs and tax		(4,000)	(53,001)
Finance costs	10	-	(102)
Loss for the year before tax		(4,000)	(53,103)
Tax charge attributable to policyholders' returns	12	-	(37)
Loss before tax attributable to owners		(4,000)	(53,140)
Tax Charge	12	-	(89)
Less: tax attributable to policyholders' returns		-	37
Tax charge attributable to owners		-	(52)
Loss for the year attributable to owners		(4,000)	(53,192)
Other comprehensive income			
Fair value gains on revaluation	11	-	643
Total comprehensive income for the year		(4,000)	(52,549)

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Statement of financial position – equity and liabilities
as at 31 December 2018

	Notes	As at 31 December 2018 £000	As at 31 December 2017 £000	As at 1 January 2017 £000
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	13	19,625	19,625	19,625
Capital contribution reserve	14	2,875	2,875	2,875
Retained earnings		(22,500)	(18,500)	39,049
Total equity		-	4,000	61,549
Liabilities				
Insurance contract liabilities				
Liabilities under insurance contracts		-	-	11,788
Financial liabilities				
Investment contracts		-	-	12,820,902
Deferred tax		-	-	1,425
Reinsurance payables		-	-	10,972
Payables related to direct insurance contracts		-	-	2,806
Accruals and deferred income		-	-	3,161
Other payables		-	-	17,015
Total liabilities		-	-	12,868,069
Total equity and liabilities		-	4,000	12,929,618

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Statement of financial position – assets
as at 31 December 2018

		As at 31 December 2018 £000	As at 31 December 2017 £000	As at 1 January 2017 £000
	Notes			
ASSETS				
Property, plant and equipment		-	-	5,550
Investment property		-	-	811
Financial assets				
Fixed and variable rate income securities		-	-	5,536
Collective investment schemes		-	-	6,035,811
Reinsurers' share of investment contract liabilities		-	-	6,808,491
		-	-	12,849,838
Insurance assets				
Reinsurers' share of insurance contract liabilities		-	-	11,788
Reinsurance receivables		-	-	1,890
Insurance contract receivables		-	-	12,281
		-	-	25,959
Prepayments and accrued income		-	-	3,274
Other receivables		-	-	28,531
Cash and cash equivalents	16	-	4,000	15,655
Total assets		-	4,000	12,929,618

On behalf of the Board



D Cheeseman
Director

13 June 2019

Statement of cash flows
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Cash flows from operating activities			
Cash generated from operations	17	-	414
Net cash flows from operating activities		<u>-</u>	<u>414</u>
Cash flows from investing activities			
Part VII transfer	4	(4,000)	(12,069)
Net cash flows from investing activities		<u>(4,000)</u>	<u>(12,069)</u>
Net decrease in cash and cash equivalents		(4,000)	(11,655)
Cash and cash equivalents at the beginning of the year		4,000	15,655
Cash and cash equivalents at the end of the year	16	<u><u>-</u></u>	<u><u>4,000</u></u>

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Statement of changes in equity
for the year ended 31 December 2018

	Share capital (note 13) £000	Capital contribution reserve (note 14) £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2018	19,625	2,875	-	(18,500)	4,000
Loss for the year	-	-	-	(4,000)	(4,000)
Total comprehensive income for the year	-	-	-	(4,000)	(4,000)
At 31 December 2018	19,625	2,875	-	(22,500)	-

	Share capital (note 13) £000	Capital contribution reserve (note 14) £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2017	19,625	2,875	-	39,049	61,549
Loss for the year	-	-	-	(53,192)	(53,192)
Other comprehensive income for the year	-	-	643	-	643
Total comprehensive income for the year	-	-	643	(53,192)	(52,549)
Part VII transfer	-	-	(643)	643	-
Dividends paid on ordinary shares (note 15)	-	-	-	(5,000)	(5,000)
At 31 December 2017	19,625	2,875	-	(18,500)	4,000

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis.

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

The financial statements are presented in sterling (£) rounded to the nearest £000 except where otherwise stated.

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

The 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. The registered address of Phoenix Group Holdings plc is Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") as they apply to the financial statements of the Company for the year ended 31 December 2018, and applied in accordance with the Companies Act 2006. IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied for the first time in this year's financial statements.

(b) Income tax

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 the Statement of comprehensive income, in which case it is recognised as other comprehensive income in that 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.

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.

(c) 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.

(d) Income recognition

Gross premiums

In respect of insurance contracts, 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. Risk margins under longevity insurance and reinsurance contracts are reported as premiums.

Reinsurance premiums

Outward reinsurance premiums are accounted for on a payable basis.

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

Fee and commission income

Fee and commission income relates to the following:

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

Net investment income

Net investment income comprises interest, dividends, rents receivable, fair value gains and losses on financial assets and investment property and impairment reversals and losses on loans and deposits and investments in subsidiaries.

Interest income is recognised as income in the Statement of comprehensive income as it accrues using the effective interest method. Dividend income is recognised as income in the Statement of comprehensive income on the date the right to receive payments is established, which in the case of listed securities is the ex-dividend date.

Fair value gains and losses on financial assets designated at fair value through profit or loss are recognised as income or expense in the Statement of comprehensive income. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

(e) Benefits, claims and expenses recognition

Gross benefits and claims

Claims on insurance contracts 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. Claims are recorded as an expense when they are notified in the case of deaths and surrenders, or become due in the case of maturities and annuities. The net amounts due in respect of variances between the expected and actual benefit values under longevity insurance and reinsurance contracts are reported as claims. Reinsurance claims reimbursed are disclosed separately. Where claims are payable and the contract remains in force, the claim instalment is accounted for when due for payment. Claims payable include the costs of settlement.

Reinsurance claims

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

Finance costs

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

(f) Transfer of business

Where the Company participates in a transfer of insurance business scheme under Part VII of the Financial Services Act 2000 and the ultimate shareholders remain the same, the transaction constitutes business combinations involving entities or businesses under common control. IFRS does not prescribe the treatment of such transfers. Accordingly, 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 recognised as income or an expense in the statement of comprehensive income.

(g) Administration Expense

Administrative expenses, including commission payable, are accounted for on an accruals basis.

(h) Share capital

Ordinary share capital

The Company has issued ordinary shares which are classified as equity.

(i) 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 only disclosed.

2. Financial information

The financial statements for the year ended 31 December 2018, set out on pages 7 to 19 were authorised by the Board of Directors for issue on 13 June 2019. The financial statements have been prepared in accordance with IFRS. The comparative amounts for the year ended 31 December 2017 are based on the Company's financial statements for that year, for the transition from United Kingdom Generally Accepted Accounting Principles ("UK GAAP") to IFRS.

Information on how the transition to IFRS has affected the financial position, financial performance and cash flows of the Company is given in note 3.

New or amended standards and interpretations issued by the IASB are not considered to have a significant impact on the Company's financial statements or accounting policies.

3. Transition to IFRS

The financial statements for 2018 have been prepared in accordance with IFRS. The date of transition from UK GAAP to IFRS is 1 January 2017 and accordingly the comparative amounts presented for the year ended 31 December 2017 are based on the Company's financial statement for that year, for the transition to IFRS.

The transition to IFRS has not resulted in any change to amount of equity reported as at 31 December 2017 or to the total comprehensive income reported under IFRS for year ended 31 December 2017 compared to the equivalent income reported under UK GAAP. Under UK GAAP, the Company was exempt from presenting a cash flow statement and related party disclosures.

The presentational changes on presenting the IFRS statement of comprehensive income for the comparative period to 31 December 2017 are disclosed here:

- Depreciation expenses of £132k have been classified as administrative expenses.
- Investment expenses and charges of £102k have been classified as finance costs.
- Investment income of £834,821k and £397k and unrealised loss on investments of £(58,840)k have been disclosed in totality as net investment income.

No significant classification changes have arisen on presenting the IFRS statement of financial position as at 1 January 2017 or 31 December 2017.

4. Transfer of business

On 8 December 2017, with effect from 30 September 2017, all of the long-term business and the majority of the Company's assets transferred to Phoenix Life Limited ("PLL"), a fellow group company, in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 ("the Scheme") approved by the High Court on 21 November 2017.

Following the de-authorisation of the Company to carry out long term business on 9 March 2018, the remaining shareholders' funds were transferred to PLL for £nil consideration in accordance with the scheme.

The carrying value of liabilities and assets transferred and the losses arising are set out below:

	2018	2017
	£000	£000
Liabilities		
Liabilities under insurance contracts	-	12,432
Investment contracts	-	11,571,207
Deferred tax	-	1,236
Payables related to direct insurance contracts	-	3,381
Reinsurance payables	-	1,712
Other payables	-	43,786
Accruals and deferred income	-	3,981
Total liabilities	-	11,637,735
Assets		
Property, plant and equipment	-	5,250
Investment property	-	1,750
Collective investment schemes	-	5,564,499
Reinsurers' share of investment contract liabilities	-	6,063,292
Reinsurers' share of insurance contract liabilities	-	12,432
Insurance contract receivables	-	923
Reinsurance receivables	-	217
Other debtors	-	28,254
Cash at bank and in hand	4,000	12,069
Accrued income	-	2,605
Total assets	4,000	11,691,291
 Net assets transferred	 4,000	 53,556
Loss on transfer of net assets	4,000	53,556

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5. Fees and commissions

	2018 £000	2017 £000
Fees and charges on investment contracts	-	25,823
Reinsurer's share to PLL	-	(26,456)
	-	(633)

6. Net investment income

	2018 £000	2017 £000
Investment income		
Interest income on financial assets designated at fair value through profit or loss on initial recognition	-	73,869
	-	73,869
Fair value gains		
Financial assets and liabilities at fair value through profit or loss		
Designated upon initial recognition	-	702,381
Investment property	-	128
	-	702,509
Net investment income	-	776,378

7. Administrative expenses

	2018 £000	2017 £000
Acquisition costs	-	290
Commission on insurance contracts	-	77,124
Depreciation of property, plant and equipment	-	132
Other	-	10,061
Reinsurer's share to PLL	-	(87,577)
	-	30

8. Directors' remuneration

The Directors are employed by another Group company. The Directors received no remuneration in 2018 in respect of their services to the Company. In the prior year, an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group was made based on an estimate of the services rendered to the Company.

	2018 £000	2017 £000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	-	209
Share option schemes and other long-term benefits	-	75
Contributions to money purchase pension schemes	-	1

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9. Auditor's remuneration

The remuneration of the auditors of the Company in respect of the audit of the financial statements was £5,000 (2017: £110,000).

10. Finance costs

	2018 £000	2017 £000
Interest expense attributable to owners	-	102

11. Fair value gains on revaluation

	2018 £000	2017 £000
Fair value gains on revaluation of the property, plant and equipment	-	643

12. Tax charge

Current year tax charge

	2018 £000	2017 £000
Current tax:		
UK Corporation tax	-	278
Total current tax	-	278

Deferred tax

Origination and reversal of temporary differences	-	(189)
Total deferred tax	-	(189)

Total tax charge	-	89
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Attributable to:

- tax charge attributable to policyholders' returns	-	37
- tax charge attributable to owners	-	52
Total tax charge for the year	-	89

Reconciliation of tax charge

	2018 £000	2017 £000
Loss before tax	(4,000)	(53,103)
Tax at standard UK rate of 19% (2017: 19.25%)	(760)	(10,222)
Loss on Part VII transfer not tax deductible	760	10,311
Total tax charge for the year	-	89

13. Share capital

	2018 £000	2017 £000
Issued and fully paid: 19,625,000 (2017: 19,625,000) ordinary shares of £1 each	19,625	19,625

The holders of the 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.

14. Capital contribution reserve

	2018 £000	2017 £000
As at 1 January and at 31 December	2,875	2,875

Capital contribution reserve represents amounts received from parent undertakings. No formal agreement is in place requiring the repayment of the contribution and, as such this is considered a distributable reserve.

15. Dividends on ordinary shares

	2018 £000	2017 £000
Cash dividend on ordinary shares:		
Interim dividend for 2017 at 25p per share	-	5,000
Total dividends paid for the year	-	5,000

16. Cash and cash equivalents

	2018 £000	2017 £000
Bank and cash balances	-	4,000

17. Cash flows

Cash flows from operating activities

	2018 £000	2017 £000
Loss for the year before tax	(4,000)	(53,103)
Non-cash movements in loss for the year before tax		
Revaluation of owner-occupied property	-	300
Loss on transfer of business	4,000	53,556
Changes in operating assets and liabilities		
Change in investment assets	-	475,909
Change in in reinsurance assets	-	744,555
Change in insurance contract and investment contract liabilities	-	(1,249,051)
Change in other assets	-	13,977
Change in other liabilities	-	14,271
Cash generated from operations	-	414

The cash flow has been prepared using the indirect method.

18. Risk and capital management

Following the Part VII transfer of assets and liabilities to PLL, the Company is no longer exposed to financial risk. Should any liabilities arise in future, the terms of the Scheme are such that these will transfer to PLL. The subsequent de-authorisation of the Company to carry out long-term business led to the release of the requirement to hold levels of capital.

19. 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.

Following the Part VII transfer of the Company's long term insurance business approved by the High Court on 30 September 2017, an application was successfully submitted to the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA") to cancel the Company's authorisation to undertake long term business.

Following deauthorisation on 9 March 2018, the remaining assets of £4m were transferred by the Company in accordance with the Scheme to PLL for £nil consideration.

Key management compensation

The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 8. During the year to 31 December 2018, key management and other family members had no other transactions with the Company.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 20.

20. Other information

The Company's principal place of business is the United Kingdom. The Company's immediate parent is Phoenix Wealth Holdings Limited and its ultimate parent is Phoenix Group Holdings plc, a company incorporated in England and Wales. A copy of the financial statements of Phoenix Group Holdings plc can be obtained from the Company Secretary, 100 St Paul's Churchyard, London, EC4M 8BU or www.thephoenixgroup.com.