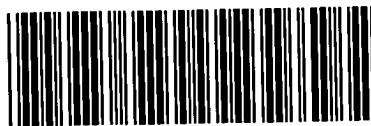


ReAssure Midco Limited

Company Registration Number: 02970583

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

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Contents

Directors and Officers 3

Strategic report for the year ended 31 December 2022..... 4

Directors' report for the year ended 31 December 2022..... 9

Independent auditors' report to the members of ReAssure Midco Limited 11

Income Statement 14

Statement of Comprehensive Income 15

Statement of Financial Position 16

Statement of Changes in Equity 17

Statement of Cash Flows 18

Notes to the Financial Statements..... 19

ReAssure Midco Limited

Directors and Officers

Board of Directors

Andrew Briggs

Katherine Jones

(Appointed 1 November 2022)

William Swift

Rakesh Thakrar

(Resigned 1 November 2022)

Company Secretary

Pearl Group Secretariat Services Ltd

Registered office

Windsor House

Telford Centre

Telford

Shropshire

TF3 4NB

Company registration number

02970583

Strategic report for the year ended 31 December 2022

The Directors present their strategic report for ReAssure Midco Limited ("the Company") for the year ended 31 December 2022.

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

Business review and principal activities

The Company is incorporated and domiciled in England and Wales, part of the United Kingdom. It is a private company, which is limited by shares. The principal activity of the Company is to act as an intermediate holding company for the ReAssure Division ("the Division") of the Phoenix Group ("the Group"), the principal operating entities of which are ReAssure Limited ("RAL"), ReAssure Life Limited ("RLL") and ReAssure UK Services Limited ("RUKSL"). It acts as the immediate parent undertaking of RAL, which conducts ordinary long-term insurance business in the United Kingdom, namely life assurance, pensions, permanent health and annuities. It also acts as the parent undertaking of RUKSL, which is a supplier of management services. The Company also oversees the Division's defined benefit pension scheme and operates an unfunded unapproved retirement benefit scheme or private retirement trust for one deferred member.

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

The results for the year are set out on page 14. The profit after tax for the year of £362.8m (2021: £1,586.4m) is mainly due to the receipt of a £650.0m dividend payment from RAL (2021: £1,622m) offset by an increase in the provision for impairments in subsidiaries of £253.6m (2021: £14.4m). Net assets of the Company at 31 December 2022 are £3,802.2m (2021: £3,642.1m).

Directors' duties under section 172 of the Companies Act

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

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

During the year, the directors of the Company have applied section 172 of the Companies Act 2006 in a manner consistent with the overall purpose, values and strategic priorities of the Phoenix Group. When considering issues of strategic importance, and making key decisions about the Company (or those that impact the wider Group), the directors have acted in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

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

- The companies within the Phoenix Group on behalf of whom the Company acts as an intermediate non-life holding company;
- Employees engaged by the Company via service companies within the Phoenix Group; and
- The Company's immediate parent, ReAssure Group plc ("RGP"), and ultimate parent, Phoenix Group Holdings plc ("PGHP").

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

ReAssure Midco Limited

KEY BOARD DECISION	INVESTMENT PROPERTY DISPOSALS (CENTRAL SAINT GILES AND NORTHAMPTON SHOPPING CENTRE)
STRATEGIC IMPORTANCE Optimising our in-force business	CONSIDERATION OF S172 MATTERS <p>During the year the Board considered two separate proposals to dispose of historic ReAssure investments, the first being Central Saint Giles, the second being Northampton Shopping Centre.</p> <p>Likely consequences of any decisions in the long term In considering each proposal, the Board reviewed the financial metrics of the transaction. On each occasion, it noted that the financials represented an attractive exit price.</p> <p>Fostering business relationships with suppliers, customers and others As part of its considerations, the Board also noted that as a result of each transaction, policyholders within closed books of business elsewhere in the Group stood to benefit. It also noted that the transactions were part of a wider sales plan within the business.</p> <p>Maintaining a reputation for high standards of business conduct The Directors of the Company noted that prior to reaching the Board for consideration, each proposal had been subject to review by internal ReAssure governance forums.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the sale of its shareholding in Central Saint Giles Partner Limited and later in the year, the transfer of units in the Northampton Shopping Centre Trust, thereby facilitating the disposal of each investment.
KEY BOARD DECISION	SUBSCRIPTION OF ADDITIONAL SHARES IN SUBSIDIARY ENTITY
STRATEGIC IMPORTANCE Optimising our in-force business	CONSIDERATION OF S172 MATTERS <p>The Board considered a proposal for the subscription of £40m of additional shares in its subsidiary company, ReAssure UK Services Limited ('RUKSL').</p> <p>Likely consequences of any decisions in the long term In considering the proposal, the Board reviewed the financial impact of the additional subscription, noting that the financial position of the Company would be largely unchanged, save for the increased investment in its subsidiary and the reduced liquidity from the settlement of the cost of the shares, both of which were deemed appropriate.</p> <p>Fostering business relationships with suppliers, customers and others Although the Company was not regulated itself, the Board recognised the regulatory status of RUKSL and the requirement of this entity to maintain sufficient minimum levels of capital. By subscribing to the additional shares in RUKSL, the Company would be contributing to the ongoing sound regulatory relationship with this entity's regulator.</p> <p>Maintaining a reputation for high standards of business conduct The Board also noted that the proposed additional subscription was compliant with the Group's Capital Management Policy.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the subscription for 40,000,000 additional shares of £1 each in RUKSL.
KEY BOARD DECISION	SUBSIDIARY LETTER OF SUPPORT
STRATEGIC IMPORTANCE Optimising our in-force business	CONSIDERATION OF S172 MATTERS <p>The Board received a paper recommending the issuance of a Letter of Support for RUKSL and other smaller entities within the ReAssure Division.</p> <p>Likely consequences of any decisions in the long term In considering the recommendation, the Board noted that RUKSL was fundamental in supporting execution of the Company's business model and as such, remained a key part of the ReAssure Division. However, given that the losses RUKSL was forecast to make in 2022 were larger than its net assets, it would require parental support. The Board assessed its ability to provide parental support in the context of the Company's own ability to continue as a going concern, considering available liquid assets against current liabilities.</p> <p>Maintaining a reputation for high standards of business conduct The Board noted that as well as RUKSL, the proposed Letter of Support would extend to a small number of minor entities within the ReAssure Division. Whilst it was not expected that the Company would be expected to provide support to these companies, the Board noted that the support provided by the Company would aid the audit process under the auditing standard for going concern.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the signing of a Letter of Support to RUKSL and the other smaller ReAssure Division entities.

ReAssure Midco Limited

KEY BOARD DECISION	INTERIM DIVIDEND
STRATEGIC IMPORTANCE Optimising our in-force business	<p>CONSIDERATION OF S172 MATTERS</p> <p>During the year the Board considered a recommendation for the payment of an interim dividend.</p> <p>Likely consequences of any decisions in the long term</p> <p>In considering the recommendation, the Board received information pertaining to the Company's cash resources and liabilities to enable it to assess the surplus cash resources available for a distribution to the Company's sole shareholder, RGP. When considering the proposal, the Board paid due regard to the long term impact of that decision, specifically in relation to Company's ability to meet its future financial obligations as they fall due. For each proposal, the Board considered a forecast of the Company's known and potential liquidity requirement over a period of 15 months and beyond, to ensure that approval of the dividend was appropriate.</p> <p>Maintaining a reputation for high standards of business conduct</p> <p>The Board also considered its obligations under the Companies Act 2006. This included, inter alia, the requirement for directors to be satisfied that the Company's profits available for distribution had not reduced since the date of the management accounts (upon which the decision was being made) and that the Company had not incurred losses which might reduce profits available for distribution. By ensuring that all legal obligations were met, the Board was able to ensure that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders.</p> <p>Fostering business relationships with suppliers, customers and others</p> <p>When considering the proposal to approve the dividend payment, the Board considered the impact of the decision on other companies in the Group, and in particular those of which it was immediate parent, noting that there would be no adverse impact.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved an interim dividend payment of £180.0m to be paid to its sole shareholder, ReAssure Group plc.
KEY BOARD DECISION	APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ('FY21')
STRATEGIC IMPORTANCE Optimising our in-force business	<p>CONSIDERATION OF S172 MATTERS</p> <p>Likely consequences of any decisions in the long term</p> <p>As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE21 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long-term impact of the decision to approve the YE21 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate.</p> <p>Maintaining a reputation for high standards of business conduct</p> <p>Prior to approving the YE21 accounts, the Board considered a supporting report prepared by the Financial Reporting team, together with the outcome of an external audit of the accounts, which provided additional assurance that the Company's reputation for high standards of business conduct was maintained, as expected by all stakeholders.</p>
OUTCOME	Following due consideration of the matters set out in section 172, the Board approved the YE21 accounts.

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

Key performance indicators

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.

Capital management

The Company is responsible for maintaining and managing its own capital, but also supports the management of the capital of its subsidiaries. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to shareholder or request capital support from other entities in the Group.

The financial statements have been prepared on a going concern basis as described in note 1.4.

The Company provided Letter of Support to six entities within the Group, confirming that as long as it retains at least indirect ownership of these entities, it intends to provide such financial and other support as necessary for these entities to continue to trade or otherwise meet their obligations as they fall due until at least 30 June 2024. The entities that the Company provided the Letter of Support to are as follows:

ERIP General Partner Limited
G Assurance & Pension Services Limited
G Life H Limited
ReAssure Companies Services Limited
ReAssure FSH UK Limited
ReAssure UK Services Limited

In support of these objectives, the Company monitors its total equity as shown in the Statement of Financial Position on page 16 of the financial statements.

Principal risks and uncertainties

The following have been defined as key business risks:

Financial risk is the risk the Company faces as a result of:

- any loan structures in place within the Company;
- the need to provide capital to its subsidiaries; and
- other commitments of the Company.

The Company mitigates financial risk by inputting to the Group quarterly capital planning cycle. If the Company is required to provide support for the capital requirements of any subsidiaries within the Division, this is factored into the Company's capital plan. There is also regular communication with PGHP, with regard to other commitments and capital requirements.

Liquidity risk is the risk that cash may not be available to pay obligations. The Company monitors cash flow and performs variance analysis against actual cash held on a monthly basis. The Company manages its liquidity risk by only paying out dividends and making capital contributions once income from its investments has been received and all expenses have been covered. If there are timing differences between cash inflows and cash outflows, then surplus cash is placed only with approved counterparties, including PGHP, or invested in high quality government or corporate bonds.

The Company is not exposed to currency or equity price risk other than through its investment in subsidiaries.


Additionally, as the Company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the Company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by the pension scheme trustees in consultation with management and suitably qualified advisors. The Board participates in major decisions on the funding and design of the pension schemes.

Expense risk is the risk that expenses may not be well controlled and unplanned increases in expenses may threaten the solvency of the Company. The Company mitigates this risk by having a robust budget and planning cycle as well as monthly variance reports and analysis.

ReAssure Midco Limited

Approval

This report was approved by the Board of Directors on 16 June 2023 and signed on behalf of the Board:

DocuSigned by:

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V Reuben
For and on behalf of Pearl Group Secretariat Services Ltd
Company Secretary
16 June 2023

Directors' report for the year ended 31 December 2022

The Directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2022.

Future outlook

The global macro-economic environment remains highly uncertain, as it did throughout 2022. The Ukraine conflict and rapid increase in inflation increased market volatility throughout 2022, with recession expected throughout Europe and possibly the wider world. The longer-term impacts of the conflict have affected the cost and availability of food and vital commodities such as oil and gas, driving inflationary pressures. Inflation is considered a material short to medium-term risk. These macro-economic factors impact the value of the life companies which are subsidiaries of the Company, but does not impact the Company directly at this time and is expected to have no direct impact on the Company in the future.

Financial risk management

Principal risks and uncertainties affecting the Company, including financial risks are explained in the Strategic report.

Dividends

Dividends of £180.0m (2021: £1,662.0m) were paid during the year.

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. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

- **Business relationships with Partners/Suppliers**

The 'Service Companies' within the Phoenix Group are the principal leads on maintaining relationships with suppliers.

Energy and carbon reporting

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

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 3.

Qualifying third party indemnity provisions

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.

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

ReAssure Midco Limited

- 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report that comply with that law and those regulations.

On behalf of the Board of Directors

DocuSigned by:

Vickie Reuben

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V Reuben
For and on behalf of Pearl Group Secretariat Services Ltd
Company Secretary
16 June 2023

Independent auditors' report to the members of ReAssure Midco Limited

Opinion

We have audited the financial statements of ReAssure Midco Limited for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period up to 30 June 2024;
- Evaluated the cash generating forecasts over the period to 30 June 2024 for ReAssure Limited (RAL) as the company is reliant on the dividend income from its main cash generating subsidiary, RAL;
- considered whether the key assumptions used in management's Annual Operating Plan ('AOP'), including the AOP for RAL, from which the forecast for the going concern period is drawn, were reasonable and in line with our understanding of the company's business model;
- evaluated management's AOP for RAL to understand how severe the downside scenario would have to be to result in the elimination of liquidity and concluded it to be remote;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board;
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- considered the impact on the company's liquidity of various commitments that have been made to provide support in the form of capital, to subsidiaries over the next 12 months; and
- assessed the appropriateness of the going concern disclosures, including those explaining the company's reliance on dividends received from its main subsidiary RAL, by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 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 9, 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 the relevant laws and regulations related to elements of company law and tax legislation and the financial reporting framework (UK adopted international accounting standards).
- We understood how the Company is complying with those frameworks by making enquiries with those charged with governance and those responsible for legal and compliance matters. We corroborated our enquiries through our review of correspondence between the company and UK regulatory bodies and our review of minutes of the Board; and gained an understanding of the company's approach to governance, demonstrated by the Board's approval of the company's governance framework.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the entity level controls and governance oversight structure that the company has established to monitor the risks and address risks identified by the company, or that otherwise seek to prevent, deter and detect fraud.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws and regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees and enquiring about the company's methods of enforcing and monitoring compliance with such policies.
- We considered the risk of management override to be a fraud risk. Our audit procedures included testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.

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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Joseph Warrender (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
19 June 2023

ReAssure Midco Limited

Income Statement

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Net investment income	3	628.0	1,619.7
Finance income	4	1.7	1.0
Other income		0.8	0.2
Net income		630.5	1,620.9
Administrative expenses	5	(25.9)	(15.5)
Impairment of subsidiaries	9	(253.6)	(14.4)
Total expense		(279.5)	(29.9)
Profit before tax		351.0	1,591.0
Tax credit/(charge) on profit for the year	8	11.8	(4.6)
Total comprehensive profit for the financial year attributable to owner of the parent		362.8	1,586.4

All results derive from continuing operations.

ReAssure Midco Limited

Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 £m	2021 £m
Total comprehensive profit for the financial year attributable to owner of the parent	362.8	1,586.4
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit pension schemes	(22.7)	23.3
Movement in related deferred tax	-	8.0
Total other comprehensive income	(22.7)	31.3
Total comprehensive income for the year	340.1	1,617.7

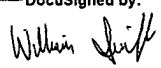
ReAssure Midco Limited

Statement of Financial Position

As at 31 December 2022

	Note	2022 £m	2021 £m
Non-current assets			
Investment in group undertakings	9	3,245.2	3,458.8
Financial investments:	10		
Debt securities		40.4	57.3
Collective investment schemes		6.7	109.0
Deferred tax asset	11	11.9	-
Net pension surplus	12	14.3	35.4
		<u>3,318.5</u>	<u>3,660.5</u>
Current assets			
Loans and other receivables	13	505.4	-
Cash and cash equivalents	14	0.8	1.7
		<u>506.2</u>	<u>1.7</u>
Total assets		<u>3,824.7</u>	<u>3,662.2</u>
Non-current liabilities			
Pension scheme liability	12	(1.4)	(2.1)
		<u>(1.4)</u>	<u>(2.1)</u>
Current liabilities			
Current tax liability		(5.7)	(2.3)
Trade and other payables	15	(15.4)	(15.7)
		<u>(21.1)</u>	<u>(18.0)</u>
Total liabilities		<u>(22.5)</u>	<u>(20.1)</u>
Net assets		<u>3,802.2</u>	<u>3,642.1</u>
Equity			
Share capital	16	73.1	73.1
Share premium		83.9	83.9
Other reserves	17	1,360.8	1,360.8
Retained earnings		2,284.4	2,124.3
Total equity		<u>3,802.2</u>	<u>3,642.1</u>

The financial statements of ReAssure Midco Limited, (registered number 02970583) were approved by the Board of Directors and authorised for issue on 16 June 2023 and signed on its behalf by:

DocuSigned by:

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William Swift
 Director
 16 June 2023

ReAssure Midco Limited

Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
1 January 2022	73.1	83.9	1,360.8	2,124.3	3,642.1
Profit for the year	-	-	-	362.8	362.8
Other comprehensive income for the year	-	-	-	(22.7)	(22.7)
Total comprehensive income for the year	-	-	-	340.1	340.1
Dividends paid during the year				(180.0)	(180.0)
At 31 December 2022	73.1	83.9	1,360.8	2,284.4	3,802.2

For the year ended 31 December 2021

	Attributable to owners of the Company				
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
1 January 2021	73.1	83.9	1,360.8	2,168.6	3,686.4
Profit for the year	-	-	-	1,586.4	1,586.4
Other comprehensive income for the year	-	-	-	31.3	31.3
Total comprehensive income for the year	-	-	-	1,617.7	1,617.7
Dividends paid during the year				(1,662.0)	(1,662.0)
At 31 December 2021	73.1	83.9	1,360.8	2,124.3	3,642.1

ReAssure Midco Limited

Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash utilised in operating activities	18	(27.1)	(7.5)
Cash flows from investing activities			
Dividends received from subsidiary undertaking	3	650.0	1,622.0
Net proceeds from disposal of financial assets		96.2	46.9
Loans advanced to group entities		(510.0)	-
Loans repaid by group entities		10.0	-
Subscription of shares	9	(40.0)	-
Net cash flows generated from investing activities		206.2	1,668.9
Net cash used in financing activities			
Dividends paid	21	(180.0)	(1,662.0)
Net cash flows used in financing activities		(180.0)	(1,662.0)
Net decrease in cash and cash equivalents		(0.9)	(0.6)
Cash and cash equivalents at the beginning of the year		1.7	2.3
Cash and cash equivalents at the end of the year	14	0.8	1.7

Notes to the Financial Statements

1. Accounting Policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1 New amended standards and interpretations

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 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.

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.

1.2 New accounting pronouncements not yet effective

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

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).

1.3 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and the net pension surplus on the ReAssure staff pension scheme that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services when first acquired. A going concern basis has been applied in accordance with UK adopted international accounting standards.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of assets.

The Company is included in the consolidated financial statements of PGHP which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 Consolidated Financial Statements, paragraph 4(a).

The principal accounting policies adopted are set out below.

1.4 Going concern

The Directors have followed the UK Financial Reporting Council's "Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (April 2016)" when performing their going concern assessment.

The Directors have made enquiries, which include consideration of its largest subsidiary RAL's business model, including expected dividend receipts from RAL to the end of 2025. Based on this assessment, RAL's continued solvency projections, and the continued profitable profile of the Company and strong net asset position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (to at least 30 June 2024). Accordingly, they continued to adopt the going concern basis in preparing the financial statements.

The Company provided Letter of Support to six entities within the Group, confirming that as long as it retains at least indirect ownership of these entities, it intends to provide such financial and other support as necessary for these entities to continue to trade or otherwise meet their obligations as they fall due until at least 30 June 2024. The entities that the Company provided the Letter of Support to are as follows:

ERIP General Partner Limited
 G Assurance & Pension Services Limited
 G Life H Limited
 ReAssure Companies Services Limited
 ReAssure FSH UK Limited
 ReAssure UK Services Limited

1.5 Foreign currencies

1.5.1 *Functional and presentational currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in millions of £ sterling, which is the Company's presentation and functional currency.

1.6 Administrative expenses

Administrative expenses are recognised on an accruals basis.

1.7 Investment income and expenses

Investment income includes dividend received, interest, fair value gains and losses on financial assets and gains on the realisation of investments and related expenses.

1.7.1 *Interest*

For interest-bearing assets, interest is recognised as it accrues and is calculated using the effective interest rate method. The effective interest rate is defined as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognised as an adjustment to the effective interest rate of the instrument.

1.7.2 *Fair value gains and losses on financial assets*

Fair value gains and losses comprise both realised and unrealised gains and losses.

Realised gains and losses recorded in the Income Statement include gains and losses on the disposal of financial assets and liabilities.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously valued, their valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in prior years in respect of investment disposals in the current year.

1.7.3 *Gains and losses on the realisation of investments and related expenses*

Realised investment gains and losses are calculated as the difference between net sales proceeds and their original cost. Related expenses are accounted for on an accruals basis.

1.7.4 *Investment in subsidiary undertakings*

Investments in subsidiary undertakings are valued initially at the cost of investment and the Directors review the valuation annually to ensure this is not less than the net assets held. For ReAssure Limited ("RAL") Solvency II own funds is used as the basis for measuring net assets. For all other entities, net assets are as per the entity's IFRS balance sheet. Where the value of the net assets held is less than the carrying value, the investment is impaired.

An impairment loss is recognised in the Income Statement if the carrying amount exceeds the value of the net assets held. An impairment loss is reversed only to the extent that carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1.7.5 *Dividend Income*

Dividend income is recognised in the income statement on the date the right to receive payment is established. All dividend income should be recorded in the income statement as part of 'net investment income'.

1.8 Current income tax

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods. Current tax is recognised in the Income Statement unless it relates to items which are recognised in other comprehensive income.

1.9 Deferred income tax

Deferred tax is calculated on differences between the accounting value of assets and liabilities and their respective tax values. Deferred tax is also recognised in respect of unused tax losses to the extent that it is probable that future taxable profits will arise against which the profits can be utilised. Deferred tax is charged or credited to the Income Statement, except when it relates to items charged or credited directly to equity.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

1.10 Financial investments

Initial recognition and measurement

Financial assets and financial liabilities are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), as described in note 19, which results in an accounting loss being recognised in profit or loss.

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

1.10.1 *Financial assets*

a) Classification

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Company's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 2.1(iv). Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.
- **Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and to sell, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income/expense'. Interest income from these financial assets would be included in 'interest Income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Fair value gains/losses on financial instruments'. Interest income from these financial assets is included in 'Finance income' using the effective interest rate method.

At 31 December 2022 the Company did not hold any assets measured at FVOCI.

Business model: the business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Company in determining the business model for a Company of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Company's business model for the government bonds is to hold to collect contractual cash flows.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

The Company has designated certain debt investments as FVTPL on initial recognition, with their performance evaluated on a fair value basis in order to more closely match the accounting for any related liabilities.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

c) Impairment

IFRS 9 introduces a new impairment model based on expected credit losses ("ECL") that are estimated by considering current conditions and available forward-looking information. IFRS 9 sets out a general approach to impairment, however, for simple, short-term financial assets this general approach is overly complicated and so a simplified approach was also introduced.

The Company has chosen to adopt the simplified approach for short-term receivables measured at amortised cost. Note 19 provides more detail of how the expected credit loss is measured.

1.10.2 *Financial liabilities*

a) *Classification*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

b) *Measurement*

Subsequent measurement

Financial liabilities are measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

1.11 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, which are held for cash management purposes. Cash equivalents held through collective investment schemes are classified as collective investments. The carrying amount of these assets approximates to their fair values.

1.12 Interest payable

Interest payable is charged to the Income Statement on an accruals basis.

1.13 Retirement benefits

The Company operates one defined benefit pension scheme, the ReAssure Staff Pension Scheme, which is closed to future accrual. The Company follows the provisions on IAS 19 Employee Benefits in accounting for the scheme. The cost of providing benefits is determined using the projected unit credit valuation method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled. Plan assets are held by a separately administered fund and are not available to the Company nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities or investment vehicles it is the published price.

A finance charge is determined on the net defined benefit pension liability. The operating and financing costs of such plans are recognised separately in the Income Statement; service costs are spread systematically over the lives of employees; and certain liability management costs and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income.

1.14 Share capital

The Company has issued ordinary shares which are classified as equity. The share capital is not a distributable reserve.

1.15 Share premium

The share premium on the issued ordinary shares is classified as equity. The share premium is not a distributable reserve.

1.16 Other reserves

The Company's other reserves relate to capital contributions received in prior years from related party entities. These amounts are not repayable. The other reserves are classified as equity and are not distributable reserves.

1.17 Events after the reporting date

The financial statements are adjusted to reflect events that occurred provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed where significant, but do not result in an adjustment of the financial statements.

2. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily

ReAssure Midco Limited

apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

2.1 Estimates

i) Investment in group undertakings

Assets that are subject to impairment are reviewed for whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Investment in subsidiaries are valued at cost less impairment per IAS/IFRS requirements. The carrying value of the Company's investment in ReAssure Limited has been assessed for impairment with reference to the Solvency II valuation of the underlying business.

ii) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 12.

iii) Valuation of investments

The fair value of an asset is the price that would be received in a sale of that asset in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used which therefore involves the use of estimates. These estimates include assessments of time value, investment returns, credit risk and volatility factors and are determined using available market data and management's judgement, if necessary.

IFRS 13 Fair value measurement categorises valuation methodologies into a three-level hierarchy. The most critical assumptions are the unobservable inputs within Level 3 valuations. The Company does not have investments with Level 3 valuations.

iv) Measurement of the expected credit loss ("ECL") allowance

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

3. Net investment income

	2022	2021
	£m	£m
Dividends received from subsidiary undertakings	650.0	1,622.0
Unrealised losses on short term investments	(19.0)	(1.9)
Realised losses from financial investments	(3.0)	(0.4)
	<u>628.0</u>	<u>1,619.7</u>

4. Finance income

	2022	2021
	£m	£m
Interest income from financial investments	0.7	1.0
Interest income on loans and receivables	1.0	-
	<u>1.7</u>	<u>1.0</u>

ReAssure Midco Limited

5. Administrative expenses

	2022	2021
	£m	£m
Recharged service costs	24.7	14.6
Pension scheme administration costs (see note 12)	1.2	0.9
	<u>25.9</u>	<u>15.5</u>

Costs recharged from RUKSL primarily relate to the Group's core integration delivery capability, which is maintained to support the integration of newly acquired books of business. These recharges are received from RUKSL through a Management Services Agreement by way of a monthly service charge.

6. Auditors' Remuneration

The analysis of auditors' remuneration is as follows:

	2022	2021
	£m	£m
Audit services:		
Fees payable for the audit of the Company's annual financial statements	<u>0.1</u>	<u>0.1</u>

All audit fees are borne by RUKSL, a subsidiary undertaking.

7. Management Remuneration

No staff are employed by the Company (2021: none); all activities relating to the Company are performed by staff employed by RUKSL. There are no recharges payable by the Company for these activities and hence it is not possible to determine the related employee costs. These are disclosed in full within the consolidated accounts of PGHP.

8. Tax on Profit for the Year**a) Tax charge to the Income Statement**

	2022	2021
	£m	£m
Current taxation		
UK corporation tax	-	3.5
Total current tax credit for the year	<u>-</u>	<u>3.5</u>
Deferred taxation		
Origination and reversal of timing differences	9.0	(0.3)
Change in rate of UK corporation tax	2.8	(7.8)
Tax credit/(charge) on profit for the year	<u>11.8</u>	<u>(4.6)</u>

ReAssure Midco Limited

b) Reconciliation of tax charge on profit attributable to shareholders

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022	2021
	£m	£m
Profit before tax	351.0	1,591.0
Tax on profit at 19.00% (2021: 19.00%)	(66.7)	(302.3)
Effects of:		
Non-taxable dividend income	123.5	308.2
Amounts written off investments	(48.2)	(2.7)
Permanent disallowable items	0.4	-
Other	2.8	(7.8)
Total tax credit/(charge) for the year	11.8	(4.6)

9. Investment in Group Undertakings

	2022	2021
	£m	£m
Cost		
At 1 January	4,331.0	4,331.0
Subscription for shares (i)	40.0	-
31 December	4,371.0	4,331.0
Provision for impairment		
At 1 January	872.2	857.8
Impairment for the year (ii)	253.6	14.4
At 31 December	1,125.8	872.2
Net book value	3,245.2	3,458.8

(i) In the current year, the Company subscribes for 40,000,000 (2021: nil) £1 ordinary shares in its subsidiary RUKSL.

(ii) 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. In 2022, impairments of £253.6m (2021: £14.4m) 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 interest held by the Company in the ordinary share capital of its subsidiary undertakings is as follows:

Company	Principal activity	Address	Holding
Direct subsidiaries			
ReAssure Pension Trustees Limited	Dormant	1	100.0%
ReAssure UK Life Assurance Company	Dormant	1	100.0%
ReAssure Limited	Long-term insurance	1	100.0%
ReAssure Two Limited	Dormant	1	100.0%
BL Telford Limited	Dormant	1	100.0%
ReAssure UK Services Limited	Management service company	1	100.0%
ReAssure FSH UK Limited	Intermediate holding company	1	100.0%
NM Pensions Limited	Dormant	1	100.0%
NM Life Trustees Limited	Dormant	1	100.0%

ReAssure Midco Limited

Company	Principal activity	Address	Holding
G Life H Limited	Intermediate holding company	1	100.0%
The Pathe Building Management Company	Dormant	1	100.0%
ERIP General Partner Limited	Management service company	1	80.0%
Indirect subsidiaries			
Namulas Pension Trustees Limited	Corporate and pension trustees	1	100.0%
Gresham Life Assurance Society Limited	Dormant	1	100.0%
ReAssure Trustees Limited	Dormant	1	100.0%
ReAssure LL Limited	Dormant	1	100.0%
ReAssure PM Limited	Dormant	1	100.0%
103 Wardour Street Retail Company Limited	Commercial property	1	100.0%
Northampton Shopping Centre Limited	Commercial property	1	99.8%
Phoenix Life Assurance Europe	Designated activity company	2	100.0%
ERIP Limited Partnership	Management of real estate	1	99.5%
Legal & General European Equity Income	Unit trust	3	88.4%
Legal and General Growth Trust	Unit trust	3	71.2%
iShares 350 UK Equity Index Fund	Open ended investment company	4	91.0%
HSBC Investment Funds – Balanced Fund	Open ended investment company	5	82.2%
ASI Phoenix Venture Capital Partnership	Limited Partnership	6	80.0%

All investments in unit trusts are held in Authorised unit trusts.

Registered office addresses

1. Windsor House, Telford Centre, Telford, Shropshire, England, TF3 4NB
2. 25-28 North Wall Quay, D01H104, Dublin 1, Dublin, Ireland
3. One Coleman Street, London, EC2R 5AA, United Kingdom
4. 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom
5. 8 Canada Square, London, E14 5HQ, United Kingdom
6. 1 George Street, Edinburgh, EH2 2LL, United Kingdom

10. Financial Investments

	2022	2021
	£m	£m
Debt securities at fair value through profit or loss	40.4	57.3
Collective investment schemes	6.7	109.0
	<u>47.1</u>	<u>166.3</u>

a) Determination of fair values and fair value hierarchyValuation models

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument whenever one is available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Financial instruments measured at fair value*Fair value hierarchy*

The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

Financial instruments held at fair value in the balance sheet are analysed against the fair value measurement hierarchy, as follows:

ReAssure Midco Limited

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.
- Level 2 inputs are market-based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e.g. markets which have few transactions and prices that are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e.g. interest rates, yield curves, volatilities, prepayment speeds, credit risk and default rates); and (iv) inputs that are derived from or corroborated by observable market data.
- Level 3 inputs are unobservable inputs. These inputs reflect the Company's own assumptions about market pricing using the best internal and external information available.

Transfers occur between the different levels within the fair value hierarchy when management determines that the valuation methodology meets the definition above.

The following tables present the Company's financial instruments measured at fair value.

Assets as at 31 December 2022	Level 1	Level 2	Level 3	Carrying value
	£m	£m	£m	£m
<i>Financial assets at fair value through profit and loss:</i>				
Debt securities	40.4	-	-	40.4
Collective investment schemes	6.7	-	-	6.7
	<u>47.1</u>	<u>-</u>	<u>-</u>	<u>47.1</u>

Assets as at 31 December 2021	Level 1	Level 2	Level 3	Carrying value
	£m	£m	£m	£m
<i>Financial assets at fair value through profit and loss:</i>				
Debt securities	57.3	-	-	57.3
Collective investment schemes	109.0	-	-	109.0
	<u>166.3</u>	<u>-</u>	<u>-</u>	<u>166.3</u>

Financial assets designated at FVTPL

Debt securities have been designated as at FVTPL in order to more closely match the accounting for any related liabilities. At 31 December 2022, the maximum exposure to credit risk of these financial assets was their carrying amount of £40.4m (2021: £57.3m). The credit risk of these financial assets has not been hedged by the use of credit derivatives or similar instruments.

Cash equivalents held through collective investment schemes are classified as collective investments. The carrying amount of these assets approximates to their fair values.

No changes in fair value relating to the credit risk have been recognised for these investments.

11. Deferred tax asset

	2022	2021
	£m	£m
At 1 January	-	-
Impact of rate change	2.9	-
Tax credited to income statement	9.0	-
At 31 December	<u>11.9</u>	<u>-</u>

An announcement was made in the UK Budget, March 2021 and enacted on 10 June 2021 to increase the rate of corporation tax to 25% from 1 April 2023. Accordingly, the relevant deferred tax balances have been remeasured taking the 25% rate into account.

The Deferred Tax Asset ('DTA') is recognised on the basis that the group is projected to have future taxable profits and therefore the expected future tax losses that give rise to the DTA can be utilised. Deferred tax assets are recognised only when projections indicate that it is more likely than not that timing differences will reverse, or losses will be relieved within the group.

12. Retirement Benefit Schemes

The Company operates one defined benefit scheme, the ReAssure Staff Pension Scheme ('RSPS') which is closed to future accrual. The Company also operates an unfunded unapproved retirement benefit scheme or private retirement trust ('PRT') for one deferred member. Under the PRT the beneficiary is entitled to an annual pension on retirement. As at 31 December 2022 the beneficiary has not drawn a benefit from the PRT.

A defined contribution pension scheme, the Group Personal Pension scheme, is operated by RUKSL.

The Company has an unconditional right to the return of any surplus in the scheme once all the scheme liabilities have been satisfied. As a result, there is no requirement to apply an asset ceiling under IAS 19 and any surplus in the scheme can be recognised as an asset in the Company's Statement of Financial Position.

Future funding requirements are determined by the outcome of the triennial scheme valuation which was last performed at 31 December 2022. The Trustee's primary funding objective is the statutory funding objective, which is to have sufficient and appropriate assets to cover the Scheme's technical provisions (the amount that the Trustees have determined to be required to make provision for the Scheme's liabilities).

The 31 December 2022 full triennial actuarial valuation revealed a shortfall of assets compared to liabilities, and so an updated Recovery Plan was agreed between the Trustee and the Company in order to make good the deficit. The Company paid £4.4m into a custody account in March 2023. The Company has agreed to make further payments of £4.4m on 1 April 2024 and 1 April 2025. The custody account will be available for transfer to the RSPS immediately after 31 December 2025 to the extent that the assets of the RSPS are less than the technical provisions as at that date. The amount held in the custody account will be assessed at future valuations and additional payments will be made by the Company if this is deemed insufficient to meet the balance of the funding shortfall as at 31 December 2025. Based on calculations undertaken as part of the last triennial valuation as at 31 December 2022, the amount expected to be held in the Custody Account as at 31 December 2025 should be sufficient to remove any remaining deficit at 31 December 2025.

The assumptions used in calculating the accounting costs and obligations of the RSPS and the PRT, as detailed below, are set by the Directors after consultation with independent, professionally qualified actuaries. The basis for these assumptions is prescribed by IAS 19 and they do not reflect the assumptions that may be used in future funding valuations of the RSPS.

	2022	2021
Discount rate	4.95%	2.00%
Inflation rate - RPI	3.30%	3.30%
Inflation rate - CPI	2.70%	2.70%
Rate of increase in salaries	3.70%	3.70%
Rate of increase in pensions	3.05%	3.20%
Rate of increase in deferred benefits during deferment	2.70%	2.70%
	2022	2021
Mortality		
Longevity at age 60 for current pensioners		
- Men	28.7 years	28.7 years
- Women	30.5 years	30.4 years
Longevity at age 60 for future pensioners currently aged 45		
- Men	30.0 years	30.1 years
- Women	31.6 years	31.4 years

ReAssure Midco Limited

a) ReAssure staff pension scheme

The assets of the RSPS are held in separate, trustee administered funds.

The valuation has been based on an assessment of the liabilities of the ReAssure Scheme as at 31 December 2021 undertaken by independent qualified actuaries. The present values of the defined benefit obligation and the related interest costs have been measured using the projected unit credit method.

There were no contributions made in respect of current service for the current and prior years. The Company agrees to cover those expenses incurred by the scheme and the cost of the death-in-service benefits for those members of the scheme who are entitled only to those benefits.

The fair value of the assets of the RSPS is set out below:

	2022	2021
	£m	£m
Equities and other quoted securities	77.1	165.3
Bonds	82.8	172.9
Gilts	120.8	151.5
Cash	7.8	2.8
	<u>288.5</u>	<u>492.5</u>

The equity investments and bonds which are held in scheme assets, are quoted and are valued at the bid price at 31 December.

The table below details the movements in the pension assets and liabilities recorded through the Income Statement and OCI:

	Fair Value of Scheme Assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Total £m
At 1 January 2022	492.5	(438.1)	(19.0)	35.4
Interest income/(cost)	9.8	(8.6)	(0.4)	0.8
Administrative expenses	(1.2)	-	-	(1.2)
Included in profit or loss	<u>8.6</u>	<u>(8.6)</u>	<u>(0.4)</u>	<u>(0.4)</u>
Re-measurement:				
Return on plan assets excluding amounts included in interest income	(203.1)	-	-	(203.1)
Gain from changes in demographic assumptions	-	0.2	-	0.2
Gain from changes in financial assumptions	-	187.2	-	187.2
Experience loss	-	(19.4)	-	(19.4)
Change in provision for tax on economic surplus available as a refund	-	-	11.7	11.7
Included in other comprehensive income	<u>(203.1)</u>	<u>168.0</u>	<u>11.7</u>	<u>(23.4)</u>
Employer's contributions	2.7	-	-	2.7
Benefit payments	(12.2)	12.2	-	-
At 31 December 2022	<u>288.5</u>	<u>(266.5)</u>	<u>(7.7)</u>	<u>14.3</u>

ReAssure Midco Limited

	Fair Value of Scheme Assets £m	Defined benefit obligation £m	Provision for tax on the economic surplus available as a refund £m	Total £m
At 1 January 2021	476.9	(460.7)	(5.6)	10.6
Interest income/(cost)	6.6	(6.4)	(0.1)	0.1
Administrative expenses	(0.9)	-	-	(0.9)
Included in profit or loss	5.7	(6.4)	(0.1)	(0.8)
Re-measurement:				
Return on plan assets excluding amounts included in interest income	17.7	-	-	17.7
Gain from changes in demographic assumptions	-	1.2	-	1.2
Gain from changes in financial assumptions	-	19.4	-	19.4
Experience loss	-	(1.9)	-	(1.9)
Change in provision for tax on economic surplus available as a refund	-	-	(13.3)	(13.3)
Included in other comprehensive income	17.7	18.7	(13.3)	(23.1)
Employer's contributions	2.5	-	-	2.5
Benefit payments	(10.3)	10.3	-	-
At 31 December 2021	492.5	(438.1)	(19.0)	35.4

The return on scheme assets relates to movements in the fair value of plan assets, arising from changes in market conditions and investment strategy changes over the year. This item provides the level of return generated net of interest applied on scheme assets over the year, with interest applied at the level of the discount rate assumed at the start of the period. This item is positive if asset returns have been greater than the discount rate, and negative if asset returns have been less than the discount rate.

The average weighted duration of the liabilities of the RSPS as at 31 December 2022 is 17 years (31 December 2021: 21 years).

The 2022 sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

Assumption	Change in Assumption	Positive Impact £m	Negative Impact £m
Discount rate	+ / - 0.25%	(10.2)	11.1
RPI inflation*	+ / - 0.25%	8.2	(8.4)
Life expectancy	+ / - 1 year	6.6	(6.9)

* including associated changes to pension increases, salary increases and CPI inflation.

The methods used to calculate the above sensitivities and the limitations of the methods are consistent with those used for the calculation of the defined benefit obligation, albeit with different assumptions to determine the approximate impact of the sensitivity.

ReAssure Midco Limited

The assumptions used in calculating the sensitivities are detailed below:

Discount rate sensitivities		
Assumption	Change in assumption	Rate adopted
Discount rate	+0.25%	5.20%
Discount rate	-0.25%	4.70%
RPI inflation sensitivities		
Assumption	Change in assumption	Rate adopted
RPI inflation	+0.25%	3.55%
RPI inflation	-0.25%	3.05%
CPI Inflation	+0.25%	2.95%
CPI Inflation	-0.25%	2.45%
Salary increases	+0.25%	3.95%
Salary increases	-0.25%	3.45%
RPI capped at 5% pension increases	+0.25%	3.30%
RPI capped at 5% pension increases	-0.25%	2.80%
CPI capped at 3% pension increases	+0.25%	2.35%
CPI capped at 3% pension increases	-0.25%	1.85%

For the life expectancy sensitivities, the multiplier applicable to the base mortality assumption was adjusted to determine an assumption which would have a 1 year difference in life expectancy at the average age of the scheme.

All other assumptions are those used in the full defined benefit obligation calculations.

Risks and risk management

The RSPS, in common with the majority of such defined benefit pension schemes in the UK, has a number of areas of risk. These areas of risk, and the ways in which the Company has sought to manage them, are set out below:

i) Asset volatility

The scheme currently invests in equities, corporate bonds and index linked gilts. These assets are subject to market risk in the form of both equity price risk from changes in equity prices and interest rate risk from changes in interest rates. The investments in corporate bonds also carry default risk, although defaults from corporate bonds held by the scheme have historically been low.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. The plan equities are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. If yields on corporate bonds fall then plan liabilities will increase although this will be partially offset by an increase in the value of the plans bond holdings.

As the plan matures, the Company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. Over the last year the scheme has reduced its equity holding and invested in some index linked gilts. However, while planning to reduce investment risk over the long term, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, in the short to medium term a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plan efficiently.

ii) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (corporate bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. However, during the year the scheme sold some of its equity holdings and reinvested in index linked gilts, which provide a hedge against inflation risk. While the holding of index linked gilts is currently small relative to the total size of the fund, they do provide some protection against inflation risk.

ReAssure Midco Limited

iii) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the plan's liabilities.

b) Private retirement trust

The Company operates an unfunded unapproved retirement benefit scheme or PRT for one deferred member.

The fair value of the assets of the private retirement trust is set out below:

	2022	2021
	£m	£m
Equities	0.5	0.4
Cash	-	0.1
	<u>0.5</u>	<u>0.5</u>

The equity investments which are held in scheme assets, are quoted and are valued at the bid price at 31 December. The table below details the movements in the pension assets and liabilities recorded through the Income Statement and OCI relating to the PRT.

	Fair value of scheme assets	Present value of obligation	Liability recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2022	0.4	(2.5)	(2.1)
Actuarial gain taken to other comprehensive income	-	0.7	0.7
At 31 December 2022	<u>0.4</u>	<u>(1.8)</u>	<u>(1.4)</u>

	Fair value of scheme assets	Present value of obligation	Liability recognised on Statement of Financial Position
	£m	£m	£m
At 1 January 2021	0.4	(2.7)	(2.3)
Actuarial gain taken to other comprehensive income	-	0.2	0.2
At 31 December 2021	<u>0.4</u>	<u>(2.5)</u>	<u>(2.1)</u>

The present value of the obligation as at 31 December 2022 and 31 December 2021 is all non-vested liabilities as it relates to one individual who has not yet retired.

The average weighted duration of the liabilities of the private retirement trust as at 31 December 2022 is approximately 17 years (31 December 2021: approximately 16 years).

13. Loans and other receivables

	Carrying value		Fair value	
	2022	2021	2022	2021
	£m	£m	£m	£m
Loan to Group undertakings at amortised cost:				
- Cash pooling facility	501.0	-	504.5	-
Other receivables	4.4	-	0.9	-
	<u>505.4</u>	<u>-</u>	<u>505.4</u>	<u>-</u>

ReAssure Midco Limited

On 13 September 2022, the Company along with certain fellow subsidiaries, entered into an uncommitted intra-group cash-pooling facility with 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 Company advanced £510.0m and received repayments of £10.0m under this facility. Interest of £1.0m was capitalised during the year.

Other receivables balances are recoverable within one year from the balance sheet date. The receivables are with related parties are payable on demand and bear no interest.

14. Cash and Cash Equivalents

	2022	2021
	£m	£m
Cash	0.8	1.7

Cash comprises cash at bank. There are no amounts included in the cash balances that are not readily available.

15. Trade and Other Payables

	2022	2021
	£m	£m
Amounts owed to group undertakings	15.4	15.7

These balances are payable within one year from the balance sheet date. The payables to related parties are repayable on demand and bear no interest.

16. Share Capital

	2022	2021
	£m	£m
Authorised		
730,506,943 (2021: 730,506,943) ordinary shares of £0.10 (2021: £0.10) each	73.1	73.1
Issued and fully paid		
730,506,943 (2021: 730,506,943) ordinary shares of £0.10 (2021: £0.10) each	73.1	73.1

The Company is a private company and is limited by shares. 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 and capital distributions, if any, as may be declared by the Board of Directors in its discretion out of legally available profits. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.

17. Other Reserves

	2022	2021
	£m	£m
Other reserves	1,360.8	1,360.8

Other reserves relate to capital contributions received in prior years from related party entities. These amounts are not repayable. There has been no change to other reserves in the current or prior year.

ReAssure Midco Limited

18. Cash flows from operating activities

	2022	2021
	£m	£m
Profit before tax	351.0	1,591.0
Adjustments for:		
Employer pension contributions	(2.7)	(2.5)
Impairment of subsidiaries	253.6	14.4
Fair value losses on financial assets	23.0	2.3
Interest income on loans and receivables	(1.0)	-
Dividends received	(650.0)	(1,622.0)
Net expected return on pension scheme	(0.8)	(0.1)
Administration expenses on pension scheme	1.2	0.9
Increase in working capital	(1.4)	8.5
Net cash utilised in operating activities	(27.1)	(7.5)

19. Management of Financial Risk

The Company's activities are limited to the holding of investments in Group companies. The Company is therefore exposed to liquidity risk, credit risk and expense risk. The Company is not exposed to currency or equity price risk other than through its investment in subsidiaries. On behalf of the Company, the Group's risk management function adopts an approach which seeks to minimise the potential adverse impact of these risks on the financial performance.

The following section discusses the Group's risk management function policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9.

Credit risk

Credit risk is the risk that the Company will suffer loss from the failure of a third party to discharge its obligations to the Company. In addition, the solvency of the Company may be impacted by a widening in credit spreads or by credit downgrades under its portfolio of fixed-interest securities and money-market deposits.

The Board determines the risk appetite for the business. The risk is controlled by setting appropriate limits for counterparty exposures and communicating them to those who are responsible for complying with them.

The Company is most exposed to credit risk on debt securities, money market investments and cash and cash equivalents. Debt securities and money market investments mainly comprised government bonds and short-term bank deposits. The table below sets out the Company's exposure to different credit assets for those counterparties that are rated by an External Credit Assessment Institution ("ECAI"). Credit assets and their issuers are rated by ECAI's based on their credit worthiness.

	AA	A	Total
	£m	£m	£m
As at 31 December 2022:			
Debt securities	40.4	-	40.4
Cash and cash equivalents	-	0.8	0.8
Total	40.4	0.8	41.2
	AA	A	Total
	£m	£m	£m
As at 31 December 2021:			
Debt securities	57.3	-	57.3
Cash and cash equivalents	-	1.7	1.7
Total	57.3	1.7	59.0

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

i) Credit risk measurement

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for short-term receivables which are receivable on demand with no significant financing component. In accordance with paragraph 5.5.15 of IFRS 9, the loss allowance for such trade receivables is always measured at an amount equal to lifetime ECLs.

To measure the ECLs, receivables have been grouped based on shared credit risk characteristics. For each group, historical loss rates have been considered and applied using forward-looking information.

At 31 December 2022 the Company held intercompany and other receivables which were subject to the above impairment review. The loss allowance provision for these receivables at this date was £nil (2021: £nil).

The key judgements and assumptions adopted by the Company in addressing the requirements of the standard are discussed below.

ii) Definition of default and change in the risk of default

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its debt obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenant and other indicators of financial distress;
- Quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Company determines the ECLs on intercompany receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

iv) Maximum exposure to credit risk – Financial instruments subject to impairment

The gross carrying amount of intercompany and other receivables, reflecting the maximum exposure to credit risk, is £nil (2021: £nil).

v) Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e., FVTPL):

	2022	2021
	£m	£m
<i>Financial assets designated at fair value</i>		
Debt securities	40.4	57.3
Collective investment schemes	6.7	109.0
	<u>47.1</u>	<u>166.3</u>

vi) *Loss allowance*

The loss allowance recognised in the period could be impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in historical loss rates and forward-looking estimates;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and
- Financial assets de-recognised during the period and write-offs of allowances related to assets that were written off during the period.

a) **Fixed interest securities**

The Company manages the credit risk arising from fixed-interest securities by placing limits on the exposure to a single counterparty and to any particular industry or geographical segment. These limits are set out in the Group Investment Guidelines. All assets must have a credit rating assigned to them. Where an asset is rated by one or more External Credit Assessment Institutions, the lowest rating is used. For bonds that do not carry an external rating the investment manager provides an internal rating.

There were no losses incurred as a result of defaults during the year (2021: no losses).

b) **Money market deposits**

The Company holds money-market deposits with approved counterparties and sets limits on counterparty exposure on an individual and aggregate counterparty basis. Credit risk is determined and monitored on a daily basis using short-term credit agency ratings.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations. The Company monitors cash flow and performs variance analysis against actual cash held. The Company manages its liquidity risk by only paying out dividends and making capital repayments once income from its investments has been received and once all expenses have been covered. If there are timing differences between cash inflows and cash outflows, then surplus cash is placed only with approved counterparties or invested in high quality government or corporate bonds.

The tables below shows the cash flows arising from the financial assets and financial liabilities of the Company:

	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
Financial Assets	£m	£m	£m	£m	£m	£m
As at 31 December 2022:						
Debt securities and other fixed-income securities	-	-	-	40.4	40.4	40.4
Collective investment schemes	6.7	-	-	-	6.7	6.7
Loans and other receivables	505.4	-	-	-	505.4	505.4
Cash at bank and in hand	0.8	-	-	-	0.8	0.8
Total	512.9	-	-	40.4	553.3	553.3

ReAssure Midco Limited

	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
Financial Assets						
As at 31 December 2021						
Debt securities and other fixed-income securities	-	57.3	-	-	57.3	57.3
Collective investment schemes	109.0	-	-	-	109.0	109.0
Cash at bank and in hand	1.7	-	-	-	1.7	1.7
Total	110.7	57.3	-	-	168.0	168.0

	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
Financial Liabilities						
As at 31 December 2022						
Trade and other payables	-	15.4	-	-	15.4	15.4

	No contractual maturity date	< 1 Year	Between 1 year and 5 years	> 5 Years	Total cash flows	Carrying Value
	£m	£m	£m	£m	£m	£m
Financial Liabilities						
As at 31 December 2021						
Trade and other payables	-	15.7	-	-	15.7	15.7

Additionally as the Company participates in a defined benefit pension scheme, there is a risk that the cash contributions required to fund this scheme increase or decrease due to changes in factors such as investment performance, the rates used to discount liabilities and mortality changes. Any increase in deficit contributions will reduce the Company's cash flow. Decisions on pension scheme funding, asset allocation and benefit promises are taken by the pension scheme trustees in consultation with management and suitably qualified advisors. The Board participates in major decisions on the funding and design of the pension schemes.

20. Contingent Liabilities

Liabilities may arise in respect of claims that are contingent on factors such as the interpretation of contracts, regulatory action or Ombudsman rulings. It is not possible to predict the incidence, timing or financial impact of these events with any certainty, but the Company is not aware of any significant liabilities in this regard.

21. Dividends

	2022 £m	2021 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend	180.0	932.0
Final dividend	-	730.0
Total dividends paid in the year	180.0	1,662.0

Interim ordinary dividend of £180.0m was paid in September 2022 in respect of the year ended 31 December 2022.

During 2021, interim ordinary dividends of £120.0m and £812.0m were paid, both in respect of the year ended 31 December 2020. A final ordinary dividend of £730.0m was paid in respect of the year ended 31 December 2021.

22. Related Parties

Transactions between the Company and its associates are disclosed below.

a) Immediate and ultimate parent undertaking

The Company is incorporated and domiciled in England and Wales. The immediate parent company is ReAssure Group plc, incorporated in England and Wales.

The only group within which the financial statements of the Company are consolidated is that of PGHP, the ultimate and controlling parent undertaking of the Company. The consolidated financial statements of PGHP may be obtained on www.thephoenixgroup.com or from its registered office at 2nd floor, Old Bailey, London, EC4M 7AN.

Related party transactions disclosed in relation to the Statement of Financial Position relate to balances held between the Company and undertakings owned by PGHP.

b) Services received from related parties

	2022 £m	2021 £m
Subsidiaries	24.7	14.5

c) Year-end balances with related parties

	2022 £m	2021 £m
<i>Amounts owed by group undertakings</i>		
Ultimate parent company	504.5	-
Subsidiaries	0.9	-
	<u>505.4</u>	<u>-</u>
<i>Amounts owed to group undertakings</i>		
Subsidiaries	(15.4)	(15.7)

23. Events after reporting date

The Company paid £4.4m into a custody account in March 2023 and has agreed to make further payments of £4.4m on 1 April 2024 and 1 April 2025. The custody account will be available for transfer to the RSPS immediately after 31 December 2025

The Directors are not aware of any other significant post balance sheet events that require disclosure within these financial statements.