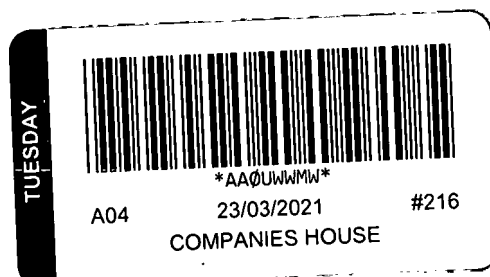


SUNLIFE LIMITED

Company Registration Number: 5460862

STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
for the year ended 31 December 2020



SUNLIFE LIMITED

Contents	Page
Strategic report	2
Directors' report	5
Statement of Directors' responsibilities	7
Independent auditor's report to the members of SunLife Limited	8
Statement of comprehensive income.....	11
Statement of financial position	12
Statement of cash flows	13
Statement of changes in equity	14
Notes to the financial statements	15

SUNLIFE LIMITED

Strategic report

The Directors present the Strategic report, their Report and the financial statements of SunLife Limited ("the Company") for the year ended 31 December 2020.

The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Business review***Principal activities***

The Company is regulated by the Financial Conduct Authority ("FCA"). The principal activity of the company is to distribute SunLife branded products on behalf of its immediate parent company, Phoenix Life Limited ("PLL") and certain third parties.

Financial performance

The results of the Company for the year are shown in the Statement of comprehensive income on page 11. The profit before tax was £28.3m (2019: £9.2m).

Dividends totalling £11.0m were paid to the parent company during the year (2019: £nil).

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Company are:

- the risk that inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements result in poor customer outcomes leading to reputational, financial and/or operational detriment (sales and distribution risk);
- the risk that the Company has insufficient capital to meet its regulatory capital requirements (capital management risk);
- the risk arising from an adverse movement in lapse rates leading to losses (lapse risk);
- the risk arising from the failure of a customer, or the Company's parent, to make payments to the Company as and when they fall due (counterparty risk);
- the risk arising from counterparty default in relation to bank deposits (credit risk);
- the Company's inability to meet short-term cash flow requirements (liquidity risk);
- the risk of financial or reputation loss associated with outsourced partners, third party suppliers (sourcing and procurement risk).

The Company's exposure to these risks is monitored by the Board which agrees policies for managing the risks on an ongoing basis. Further information has been provided in note 24.

Following the UK's exit from the EU ("Brexit"), the company continues to monitor developments. The Company operates exclusively in the UK; therefore, it is the impact of Brexit on the UK economy, which is the main risk and uncertainty affecting the business. The SunLife business has historically been resilient to economic downturn. Trading is actively monitored, and marketing campaigns are routinely flexed in response to customer behaviour.

COVID-19 has resulted in an unprecedented global crisis which has challenged each and every one of us as we undertake our day-to-day lives. Throughout the pandemic, the Company's key priorities have been to support and ensure the safety of our colleagues and of the communities in which we operate, provide continuity of service to our customers while protecting the profitability of the Company. The Company employed a flexible marketing approach to ensure an appropriate service was provided to customers and to continue to generate profit throughout these uncertain times.

COVID-19 has the potential to create short-term and long-term financial consequences for the Company, and potential for the Company's strategic objectives to be adversely impacted by the pandemic. The Company has responded effectively to quickly evolving changes arising from COVID-19; for example, reviewing the appropriateness of marketing messages, providing telephony support to PLL servicing teams, monitoring suppliers and actively managing marketing spend effectively.

The Company has been actively monitoring lapse experience in light of COVID-19. The lapse assumptions within the provisions are based on data prior to the pandemic as it is currently considered to be too early to determine any longer-term impact on lapses.

SUNLIFE LIMITED

The Company has traded profitably throughout the pandemic and COVID-19 has not affected the Company's ability to continue as a going concern. The Company developed a range of COVID-19 stresses to assess the resilience of the Company to potential adverse outcomes of the pandemic and has considered these and other risks in the going concern assessment.

Key Performance Indicators ('KPIs')

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

Capital resources

As the Company is regulated by the FCA, it regularly reviews and forecasts its adjusted net asset position as determined by Chapter 13 of IPRU (INV). At 31 December 2020, the Company had an excess over its regulatory capital requirements of £25.6m (2019: £14.5m).

Profits after taxation and distributable reserves

For the year ended 31 December 2020 the Company reported a profit after taxation of £23.0m (2019: £7.3m). As at 31 December 2020, the Company had distributable reserves amounting to £23.8m (2019: £11.8m).

Cash flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2020, operations generated cash of £39.3m (2019: £20.5m) and cash and cash equivalents totalled £82.5m (2019: £54.7m).

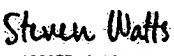
Directors' duties

In accordance with section 172 of the Companies Act, the Directors have a duty to promote the success of the Company. In carrying out this duty during 2020, the Directors have had regard for, amongst other matters, the areas set out below:

Area of consideration	How we are engaging
Customers	The Board has received a Customer Report from the Director of Commercial at every routine Board meeting during the year. The report focuses on customer satisfaction levels, customer understanding, customer service, and complaint volumes. In addition the Board is supported by Management Committees that focus on Customer management in greater detail. As part of the wider Phoenix Group Holdings plc ("Group") and as detailed within the Group's Remuneration Report, customer service metrics form an element of the annual incentive scheme.
Employees	The Company employs c.99 people in a variety of roles. The Board engages with employees in a number of ways. A Culture Survey update is presented on a six monthly basis to the Board, in addition to this a People update is presented within the CEO's update to the Board at each meeting. During 2020 additional surveys were conducted due to the working conditions as a result of COVID-19. In relation to Remuneration, the majority of decisions are deferred to the Phoenix Group Holdings plc Remuneration committee.
Business Partners/Suppliers	The Company contracts with a number of third parties for services that allow for the successful operation of the business. In addition to this the relationship with the Phoenix Life Limited Board who is the manufacturer of a number of the products offered by the Company is key. During the course of 2020 the Board has received updates on the relationship with all partners, in addition the Management Committees support the Boards oversight of the relationships. Supplier oversight is managed through a defined model operated throughout the Group.
Community and Environment	The Company has a long-standing tradition for investing in the local community to include programs which support local charities and their initiatives. As much of this reflects Group wide activity, further information can be found within the Phoenix Group Holdings plc annual report and accounts.
Strategy and Long term	In June 2020 the Board met to discuss and challenge the ongoing strategy for the business. The outputs of the strategy session formed part of the strategy sessions of Phoenix Life and Group during 2020.
Regulators	The Company is regulated by the Financial Conduct Authority and is subject to close and continuous supervision from its regulator. This includes a programme of regular meetings between Board members and the regulator.

SUNLIFE LIMITED

On behalf of the Board

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S Watts
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

3 March 2021

SUNLIFE LIMITED

Directors' report

SunLife Limited ("the Company") is incorporated in England and Wales as a private limited company. Its registration number is 5460862 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

Corporate governance

The Company, as part of a group wide framework, has established a governance framework for monitoring and overseeing strategy, operation of its business and compliance with applicable regulatory conduct standards that includes:

- a clear organisational structure with documented delegations of authority;
- matters reserved for the Board and written terms of reference for its committee;
- an Audit and Risk Committee, the members of which comprise not less than three members, all of whom are appointed by the Board from amongst and including, but not limited to, the independent non-executive Directors of the Company. The Committee's role is to monitor the overall integrity of the financial reporting by the Company, to review the overall effectiveness of the internal control and risk management systems of the Company, to monitor the overall effectiveness of the Internal Audit function of the Company, to oversee the relationship with the external auditors of the Company, to advise the Board on risk appetite and tolerance in setting the future strategy, taking account of the Board's overall degree of risk aversion, the current financial situation of the Company and the Company's capacity to manage and control risks within the agreed strategy; and
- the operation of a three lines of defence model with the Risk function providing risk oversight independent of management and the Internal Audit function providing independent verification of the adequacy and effectiveness of the internal controls and risk management processes in operation.

The Board is comprised of 3 non-executive Directors and 2 executive Directors.

Energy and carbon reporting

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

Going concern

The Strategic report and the Directors' report summarise the Company's activities, its financial performance and its financial position together with any factors likely to affect its future development. In addition, it discusses the principal risks and uncertainties it faces. Notes 23 and 24 to the financial statements summarise the Company's capital management and risk management objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's *"Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks"* (issued April 2016) when performing their going concern assessment. As part of their comprehensive assessment of whether the Company is a going concern, the Directors have prepared cash flow and solvency forecasts for the Company, covering the period to 31 March 2022.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 31 March 2022. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors

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

D Cheeseman	(resigned 31 January 2020)
J Cole	(appointed 29 June 2020)
D Lamble	
D Miller	
A Moss	
N Poyntz-Wright	

Secretary

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

Disclosure of indemnity

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

SUNLIFE LIMITED

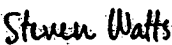
Disclosure of information to auditor

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

Re-appointment of auditor

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

On behalf of the Board

DocuSigned by:

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S Watts
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

3 March 2021

SUNLIFE LIMITED

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with international financial reporting standards ("IFRS") requires the Directors to:

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

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

SUNLIFE LIMITED

Independent auditor's report to the members of SunLife Limited**Opinion**

We have audited the financial statements of SunLife Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- The Company's business model is relatively simple in nature, operating as a marketing and distribution organisation of insurance products and generating the majority of its revenue from a Life Company within the Phoenix Group. Management uses an internal Annual Operating Plan (AOP) to support its going concern assessment. Following its preparation, the AOP is subject to Board level review and approval, demonstrating the Boards governance and oversight processes over this document.
- We obtained management's going concern assessment, which considers a period to 31 March 2022. We have assessed and challenged the underlying assumptions used in management's five-year AOP and determined that the models are appropriate to enable management to make an assessment. In addition, management has modelled a number of adverse scenarios in their cashflow forecasts in order to incorporate unexpected changes to the forecasted cashflow.
- We have evaluated factors and assumptions included in each scenario within the cashflow forecast, including testing the impact of COVID-19 on each of the forecasted scenarios. We considered the appropriateness of the methods used to calculate the cashflow forecasts and determined through inspection and testing of the methodology and calculations that the methods used were appropriately sophisticated to be able to make an assessment for the Company.
- We considered the mitigating factors included in the cashflow forecasts that management are able to control. This includes review of the non-operating cash outflows and evaluating management's ability to control these outflows as mitigating actions if required.
- We reviewed management's reverse stress testing in order to identify which factors could lead to the Company using up all its liquidity.
- We reviewed the going concern disclosures included in the director's report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

SUNLIFE LIMITED

We observed that the Company's operations have not been significantly impacted by COVID-19 from a revenue or profitability perspective, due to the nature of the entity being a marketing and distribution Company of insurance products. 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 up until 31 March 2022.

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 with 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 there is 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 7, 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.

SUNLIFE LIMITED

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

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

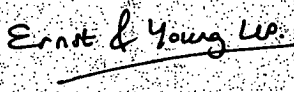
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards and the Companies Act 2006) and the relevant direct tax compliance regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, employees, anti-bribery and corruption and General Data Protection Regulation ('GDPR').
- We understood how the Company is complying with those frameworks by making enquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of internal control and by assuming revenue recognition and accounting provisions to be fraud risks.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved use of data analytics into our testing of manual journals, including segregation of duties. We tested specific transactions back to source documentation, ensuring appropriate authorisation of those 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.

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Robin Enstone (Senior statutory auditor)
 for and on behalf of Ernst & Young LLP, Statutory Auditor
 Bristol March 2021

March 3, 2021 | 8:19:56 GMT

SUNLIFE LIMITED

Statement of comprehensive income
for the year ended 31 December 2020

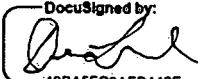
	Notes	2020 £000	2019 £000
Revenue	3	116,713	86,994
Interest income		165	251
Administrative expenses	4	(88,550)	(77,982)
Profit for the year before finance costs and tax		28,328	9,263
Finance costs	5	(49)	(56)
Profit for the year before tax		28,279	9,207
Tax charge	8	(5,265)	(1,859)
Profit for the year		23,014	7,348
Other comprehensive income		-	-
Total comprehensive income for the year		23,014	7,348

SUNLIFE LIMITED

Statement of financial position
as at 31 December 2020

		As at 31 December 2020	As at 31 December 2019
	Notes	£000	£000
Assets			
Property, plant and equipment	10	2,332	2,694
Deferred tax asset	11	956	960
Prepayments and accrued income	12	6,509	5,238
Contract assets	13	5,209	3,469
Other receivables	14	198	-
Cash and cash equivalents	15	82,537	54,724
Total assets		97,741	67,085
Liabilities			
Provisions	16	27,127	27,890
Accruals and deferred income	17	35,316	13,467
Lease liabilities	18	2,721	3,146
Other payables	19	3,813	5,832
Total liabilities		68,977	50,335
Equity			
Share capital	20	5,000	5,000
Retained earnings		23,764	11,750
Total equity		28,764	16,750
Total equity and liabilities		97,741	67,085

On behalf of the Board

DocuSigned by:

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D Lambie
Director

3 March 2021

SUNLIFE LIMITED

Statement of cash flows

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operations	22	39,787	20,469
Tax paid		(500)	-
Net cash flows from operating activities		<u>39,287</u>	<u>20,469</u>
Net cash flows from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Ordinary share dividends paid	9	(11,000)	-
Repayment of capital contribution	21	-	(10,000)
Interest paid	5	(49)	(56)
Repayment of principal lease liabilities	18	(425)	(418)
Net cash flows from financing activities		<u>(11,474)</u>	<u>(10,474)</u>
Net increase in cash and cash equivalents		27,813	9,995
Cash and cash equivalents at the beginning of the year		54,724	44,729
Cash and cash equivalents at the end of the year	15	<u>82,537</u>	<u>54,724</u>

Supplementary disclosures on cash flow from operating activities

	2020 £000	2019 £000
Interest received	<u>165</u>	<u>251</u>

SUNLIFE LIMITED

Statement of changes in equity
for the year ended 31 December 2020

	Share capital (note 20) £000	Capital contribution reserve (note 21) £000	Retained earnings £000	Total £000
At 1 January 2020	5,000	-	11,750	16,750
Profit for the year	-	-	23,014	23,014
Total comprehensive income for the year	-	-	23,014	23,014
Dividends paid on ordinary shares (note 9)	-	-	(11,000)	(11,000)
At 31 December 2020	5,000	-	23,764	28,764

Of the above, £23.8m (2019: £11.8m) is considered distributable.

	Share capital (note 20) £000	Capital contribution reserve (note 21) £000	Retained earnings £000	Total £000
At 1 January 2019	5,000	10,000	4,402	19,402
Profit for the year	-	-	7,348	7,348
Total comprehensive income for the year	-	-	7,348	7,348
Capital repayment (note 21)	-	(10,000)	-	(10,000)
At 31 December 2019	5,000	-	11,750	16,750

SUNLIFE LIMITED

Notes to the financial statements**1. Accounting policies****(a) Basis of preparation**

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

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

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

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

The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc, a company incorporated in England and Wales.

Statement of compliance

The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

(b) Critical accounting estimates and judgements

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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are contract assets, revenue recognition and the determination of provisions as discussed in accounting policy (e), (j) and (h) respectively.

(c) Income tax

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

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

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

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

(d) Financial assets

Financial assets are measured at amortised cost where they have:

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

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

SUNLIFE LIMITED

Impairment of financial assets

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

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ("ECL"). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables and contract assets within the scope of IFRS 15, as these are always measured at an amount equal to lifetime ECLs. See note 24 for details of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

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

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

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

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

(e) Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Company satisfies its performance obligation to the customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(f) 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.

(g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an individual asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the lessor has a substantive substitutions right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset i.e. it has the decision-making rights about how and for what purpose the asset is used.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairments, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated over the remaining lease term.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities are presented as a separate line item and right-of-use assets are presented within 'property, plant and equipment' in the statement of consolidated financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from, for example, rent reviews or from changes in the assessment of whether a termination option is reasonably certain not to be exercised. The Company applies judgement to determine the lease term for leases with break clauses.

The Company excludes non-lease components such as service charges and accounts for these on a straight-line basis over its lease term.

SUNLIFE LIMITED

(h) Provisions and contingent liabilities

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

(i) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

(j) Revenue recognition

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Company identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

Variable consideration within the transaction price is present in certain contracts when the Company's right to consideration is contingent on the occurrence of a future event. Variable consideration is determined using the 'expected value' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

(k) Interest income

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

(l) Share capital and capital contributions***Ordinary share capital***

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

Capital contributions

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

(m) Events after the reporting period

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

2. Financial information

The financial statements for the year ended 31 December 2020, set out on pages 11 to 26, were authorised by the Board of Directors for issue on 3 March 2021.

Effect of Brexit

On 31 January 2020, the UK left the EU and consequently the European Financial Reporting Advisory Group ("EFRAG") will no longer endorse IFRSs for use in the UK. Legislation is in place to onshore and freeze EU-adopted IFRSs and from 1 January 2021 the Company will apply UK-adopted International Accounting Standards. The powers to endorse and adopt IFRSs will be delegated by the Secretary of State to the UK Endorsement Board once the draft statutory instrument, which was laid before Parliament on 1 February 2020, is approved.

SUNLIFE LIMITED

Adoption of New Accounting Pronouncements in 2020

In preparing the financial statements, the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB') and have been adopted for use by the EU:

- Amendments to IFRS 3 Business Combinations: The amendments have revised the definition of a business and aim to assist companies to determine whether an acquisition is of a business or a group of assets.
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7): The amendments have arisen following the phasing out of interest-rate benchmarks such as interbank offered rates ('IBOR'). Specific hedge accounting requirements have been modified to provide relief from potential effects of the uncertainty caused by IBOR reform
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Amendments clarify the definition of material and how it should be applied; and Amendments to the Conceptual Framework in IFRS Standards.

These new and amended standards do not currently have any impact on the Company

New Accounting Pronouncements Not Yet Effective

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

3. Revenue

	2020 £000	2019 £000
Revenue from contracts with customers		
Business manufactured within PLL	110,555	81,262
Third party business	6,158	5,732
	<u>116,713</u>	<u>86,994</u>

Revenue from contracts with customers represents net commission income generated from providing distribution services to the Company's immediate parent, Phoenix Life Limited ("PLL") and certain third parties, allowing for expected future commission clawback as a result of policy lapses.

The performance obligation in respect of these contracts is satisfied upon completion of the service. The consideration amount for certain contracts with third parties is variable and has been estimated using the expected value method, using lapse and mortality assumptions based on historic experience. The amount of variable consideration included within third party business above is £1,740,000 (2019: £587,000).

4. Administrative expenses

	2020 £000	2019 £000
Employee costs	27,277	12,224
Other operating expenses	46,664	54,855
Movement in provisions	14,230	10,523
Operating lease rentals	7	10
Depreciation on right-of-use asset (note 10)	372	370
	<u>88,550</u>	<u>77,982</u>

Administrative services are provided by Pearl Group Management Services Limited ("PGMS"), a fellow group company.

Other operating expenses include £7,000 (2019: £10,000) of expense payments relating to low value leases which are not included in the measurement of the lease liabilities.

SUNLIFE LIMITED

Employee costs comprise:

	2020 £000	2019 £000
Wages and salaries (including termination benefits)	26,134	11,049
Social security contributions	637	654
Other pension costs	506	521
	<u>27,277</u>	<u>12,224</u>

	2020 Number	2019 Number
Average number of persons employed	<u>99</u>	<u>111</u>

5. Finance costs

	2020 £'000	2019 £'000
Interest expense on lease liabilities	<u>49</u>	<u>56</u>

6. Directors' remuneration

	2020 £000	2019 £000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	<u>796</u>	<u>788</u>
Share option schemes and other long-term benefits	<u>17,576</u>	<u>1,120</u>
Compensation for loss of office	<u>101</u>	<u>-</u>
Contributions to money purchase pension schemes	<u>-</u>	<u>2</u>

	2020 Number	2019 Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	1	1
Number of Directors who had exercised share options during the year	3	3

	2020 £000	2019 £000
Highest paid Director:		
Remuneration	507	420
Long term benefits	<u>14,578</u>	<u>1,000</u>

The Executive Directors are employed by either the Company or PGMS, a fellow group company. The Non-Executive Directors are not employed but provide their services via a letter of appointment. For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

SUNLIFE LIMITED

7. Auditor's remuneration

The remuneration of the auditors of the Company in respect of the audit of the financial statements was £26,000 (2019: £26,000). In addition, audit related assurance services of £5,000 were incurred during the year (2019: £5,000).

8. Tax charge***Current year tax charge***

	2020 £000	2019 £000
Current tax:		
UK Corporation tax	5,261	2,265
Adjustment in respect of prior years	-	553
Total current tax	5,261	2,818
Deferred tax		
Origination and reversal of temporary differences	117	(514)
Change in rate of UK Corporation tax	(113)	113
Adjustment in respect of prior years	-	(558)
Total deferred tax	4	(959)
Total tax charge	5,265	1,859

Reconciliation of tax charge

	2020 £000	2019 £000
Profit before tax	28,279	9,207
Tax at standard UK rate of 19%	5,373	1,749
Adjustment in respect of prior years	-	(4)
Disallowed expenses	5	1
Deferred tax rate change	(113)	113
Total tax charge for the year	5,265	1,859

9. Dividends on ordinary shares

	2020 £000	2019 £000
Interim dividend for 2020 at 220p per share	11,000	-

SUNLIFE LIMITED

10. Property, plant and equipment

Set out below is the carrying amount of the right-of-use assets recognised and the movements during the period:

Property - right of use assets

	2020 £000	2019 £000
As at 1 January	2,694	3,056
Adjustments to leasehold property provision (note 16)	10	8
Depreciation expense (note 4)	(372)	(370)
As at 31 December	<u>2,332</u>	<u>2,694</u>

The right-of-use asset relates to lease commitments in respect of Redcliff Quay which is office space leased by the Company. The leases commenced in March 2017 and expire in March 2027, but the Company has the option to break in March 2022.

11. Tax assets and liabilities

	2020 £000	2019 £000
Deferred tax asset	<u>956</u>	<u>960</u>

Movement in deferred tax asset

Year ended 31 December 2020

	At 1 January £000	Recognised in the Statement of comprehensive income £000	At 31 December £000
Provisions and other temporary differences	928	2	930
Accelerated capital allowances	32	(6)	26
	<u>960</u>	<u>(4)</u>	<u>956</u>

The standard rate of UK corporation tax for the accounting period is 19% (2019: 19%).

Following the cancellation of the planned tax rate reduction from 19% to 17% announced in the March 2020 Budget, deferred tax assets and liabilities, where provided, are reflected at the rate of 19%.

12. Prepayments and accrued income

	2020 £000	2019 £000
Prepayments	1,628	2,223
Accrued Income	<u>4,881</u>	<u>3,015</u>
	<u>6,509</u>	<u>5,238</u>
Amount recoverable after 12 months	<u>-</u>	<u>-</u>

SUNLIFE LIMITED

13. Contract assets

	2020 £000	2019 £000
As at 1 January	3,469	2,882
New contract assets recognised	2,111	1,167
Contract assets derecognised	(371)	(580)
As at 31 December	<u>5,209</u>	<u>3,469</u>
Amount recoverable after 12 months	<u>4,896</u>	<u>3,141</u>

14. Other Receivables

	2020 £000	2019 £000
Amounts due from fellow group companies	<u>198</u>	<u>-</u>
Amounts recoverable after 12 months	<u>-</u>	<u>-</u>

15. Cash and cash equivalents

	2020 £000	2019 £000
Bank and cash balances	10,282	6,637
Short term deposits	<u>72,255</u>	<u>48,087</u>
	<u>82,537</u>	<u>54,724</u>

16. Provisions

	Commission clawback £000	Leasehold property £000	Gift Card £000	Other £000	2020 Total £000
At 1 January 2020	23,103	440	4,099	248	27,890
Additions in the year	44,749	-	14,460	-	59,209
Adjustment through ROU asset	-	10	-	-	10
Released in the year	(9,836)	-	-	(239)	(10,075)
Utilised during the year	<u>(34,607)</u>	<u>-</u>	<u>(15,291)</u>	<u>(9)</u>	<u>(49,907)</u>
At 31 December 2020	<u>23,409</u>	<u>450</u>	<u>3,268</u>	<u>-</u>	<u>27,127</u>

The commission clawback provision represents the expected future clawback of commission income as a result of assumed lapses of policies or associated benefits. The lapse assumptions are based on historic experience for appropriate lines of business, reflecting the maturity of each policy at 31 December 2020.

The leasehold property provision is the Company's best estimate of the cost of removing alterations and returning its leased property to its original state at the end of the lease term. The timing of future cash outflows is dependent upon when the leases expire.

The gift card provision represents the Company's best estimate of the liability to make payments to policyholders in the form of gift cards as a welcome gift when taking out a policy.

The other provision represents the Company's best estimate of the costs involved in initiating a legal claim in respect of a breach of trademark law.

SUNLIFE LIMITED

17. Accruals and deferred income

	2020 £000	2019 £000
Accrued expenses	35,316	13,467
Amount due for settlement after 12 months	13	4,972

18. Lease liabilities

	2020 £000	2019 £000
As at 1 January	3,146	3,564
Interest expense	49	56
Payments	(474)	(474)
As at 31 December 2020	2,721	3,146
Amount due after 12 months	2,288	2,720

Payments of £474,000 (2019: £474,000) consist of principal repayments of £425,000 (2019: £418,000) and interest expense of £49,000 (2019: £56,000).

Maturity analysis – contractual undiscounted cash flows

	2020 £000	2019 £000
Not later than one year	474	474
Later than one year and no later than five years	1,897	1,897
Later than five years	474	948
	2,845	3,319

Lease commitments are in respect of Redcliff Quay which is office space leased by the Company. The leases commenced in March 2017 and expire in March 2027, but the Company has the option to break in March 2022.

The Company has elected not to recognise a lease liability for low value assets. Payments made under such leases are expensed on a straight-line basis.

The total cash outflow for leases (including the cash outflow for low value leases) for the year ended 31 December 2020 was £481,000 (2019: £484,000).

19. Other payables

	2020 £000	2019 £000
Current tax	-	500
Amounts due to parent company	35	1,273
Amounts due to fellow group companies	2,561	2,374
Other payables	1,217	1,685
	3,813	5,832
Amount due for settlement after 12 months	-	-

SUNLIFE LIMITED

20. Share capital

	2020 £000	2019 £000
Authorised: 5,000,100 (2019: 5,000,100) ordinary shares of £1 each	5,000	5,000
Issued and fully paid: 5,000,002 (2019: 5,000,002) ordinary shares of £1 each	5,000	5,000

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

21. Capital contribution reserve

	2020 £000	2019 £000
As at 1 January	-	10,000
Contribution repaid	-	(10,000)
As at 31 December	-	-

The capital contribution was treated as capital as there was no agreement for repayment. The reserve was considered distributable.

22. Cash flows***Cash flows from operating activities***

	2020 £000	2019 £000
Profit for the year before tax	28,279	9,207
Non-cash movements in profit for the year before tax		
Change in provisions	(763)	5,216
Depreciation of right of use asset	372	370
Interest on lease liabilities	49	56
Changes in operating assets and liabilities	-	-
Change in other assets	(3,219)	(3,540)
Change in other liabilities	15,069	9,160
Cash generated from operations	39,787	20,469

The cash flow has been prepared using the indirect method.

23. Capital management

The Company's capital comprises share capital and reserves. At 31 December 2020, total capital was £28,764,000 (2019: £16,750,000).

The Company is regulated by the FCA and is subject to regulatory capital regulations which specify the minimum amount of capital that must be held. The Company manages capital in accordance with these rules and has embedded in its processes the necessary tests to ensure continuous and full compliance with such regulations. The Company monitored and maintained net assets in excess of its regulatory capital throughout the period. At 31 December 2020, the amount of capital that the Company was required to hold was £3,194,000 (2019: £2,231,000) and the excess capital over that required was £25,570,000 (2019: £14,519,000).

The Company produces a five year financial forecast as part of the Phoenix Group annual planning process which was presented to the Company's Board in September 2020. This showed a positive profitability and hence growth in net assets of the Company over the period.

SUNLIFE LIMITED

24. Risk management

The principal risks and uncertainties facing the Company are sales and distribution risk, capital management risk, lapse risk, counterparty risk, credit risk, liquidity risk and sourcing and procurement risk.

The Company has exposure to these types of risk as a result of normal business activities, specifically:

- the risk that inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements result in poor customer outcomes leading to reputational, financial and/or operational detriment (sales and distribution risk);
- the risk that the Company has insufficient capital to meet its regulatory capital requirements (capital management risk);
- the risk arising from an adverse movement in lapse rates leading to losses (lapse risk);
- the risk arising from the failure of a customer, or the Company's parent, to make payments to the Company as and when they fall due (counterparty risk);
- the risk arising from counterparty default in relation to bank deposits (credit risk);
- the Company's inability to meet short-term cash flow requirements (liquidity risk);
- the risk of financial or reputation loss associated with outsourced partners, third party suppliers (sourcing and procurement risk).

The Company's exposure to these risks is monitored by the Board which agrees policies for managing the risks on an ongoing basis.

Credit risk management practices

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

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition, indicated by an increase in past-due amounts	Lifetime ECL (not credit impaired)
In default	There is evidence indicating the asset is credit-impaired, indicated by an increase in past-due amounts over 6 months old and increased counterparty risk by adverse changes in their credit ratings	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

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

Financial Assets	Note	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount £000	Loss Allowance £000	Net carrying amount £000
Contract assets	13	N/A	Performing	Lifetime ECL (simplified approach)	5,209	-	5,209
Cash and cash equivalents: Bank and cash balances	15	BBB	Performing	12 month ECL	10,282	-	10,282
Cash and cash equivalents: Short term deposits	15	AAA	Performing	12 month ECL	72,255	-	72,255

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

Contract assets within the scope of IFRS 15 are shown separately and always measured at an amount equal to lifetime ECLs in accordance with accounting policy.

SUNLIFE LIMITED

Cash and cash equivalents - The Company's cash and cash equivalents are held with two financial institutions, which have an AAA and BBB investment grade rating and a positive outlook. The Company therefore considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparty and there being no history of default.

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

25. Related party transactions

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

Administration

Pearl Group Management Services Limited ("PGMS"), a fellow group company, provided administration services to the Company. The charge made to the Company for the year ended 31 December 2020 amounted to £2,411,000 (2019: £516,000) and at the end of the year £198,000 was receivable (2019: £262,000 payable).

Transactions with PLL

Commission received from PLL for the year ended 31 December 2020 amounted to £128,031,000 (2019: £94,046,000). Commission paid to PLL for the year ended 31 December 2020 amounted to £27,000 (2019: £29,000).

Amounts payable to PLL at the end of the year amounted to £35,000 (2019: £1,273,000).

The Company has a provision for commission clawback payable to PLL at 31 December 2020 of £21,857,000 (2019: £20,649,000).

During the year ended 31 December 2020, the Company made payments totalling £222,000 (2019: £538,000) to PLL as reimbursement for VAT liabilities settled by PLL on behalf of the Company.

During the year ended 31 December 2020, the Company paid dividends to PLL of £11,000,000 (2019: £nil).

Amounts due to / from fellow group companies

At 31 December 2020, an amount of £2,561,000 (2019: £2,113,000) was payable to fellow group companies in respect of group tax relief.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 27.

Key management compensation

The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6. Other transactions are disclosed below:

	2020	2019
	£'000	£'000
Key management personnel and their close family members transactions with Pensions and Savings products sold by the Group:		
Contributions in the year	7	-
Value of investments at year end	8	-

26. Contingent liabilities

In the normal course of business, the Company is exposed to certain legal issues, which involve litigation and arbitration. At year end, the Company has a number of contingent liabilities, none of which are considered by the Directors to be material.

27. Ultimate parent and ultimate controlling party

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