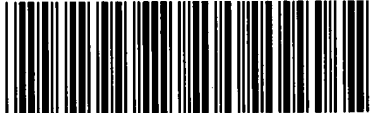


# SUNLIFE LIMITED

Company Registration Number: 5460862

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

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## 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 2018.

The financial statements of the Company for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applied in accordance with the Companies Act 2006.

## Business review

### Principal activities

The Company is regulated by the Financial Conduct Authority ("FCA"). The principle 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 9. The profit before tax was £6.8m (2017: loss £2.1m).

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

### Corporate activity

On 1 January 2018, staff employed by Phoenix SL Direct Limited, a fellow group company, were transferred to the Company.

The Company launched an Equity Release product on 31 January 2018. The Company's role in the sale of the new product is to supply leads to its partner, the Company provides no advice to the customer.

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

As progress is made towards the UK's exit from the EU ("Brexit"), the Company is monitoring developments. The Company operates exclusively within the UK, therefore it is the impact of Brexit on the UK economy, which is the key risk and uncertainty affecting the business.

### 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 2018, the Company had an excess over its regulatory capital requirements of £18.4m (2017: £11.2m).

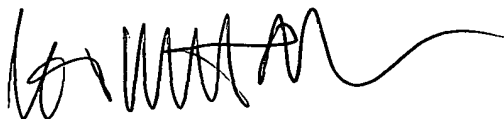
#### Profits after taxation and distributable reserves

For the year ended 31 December 2018 the Company reported a profit after taxation of £5.5m (2017: loss £1.7m). As at 31 December 2018, the Company had distributable reserves amounting to £15.3m (2017: £8.3m).

*Cash flows*

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2018, operations generated cash of £9.1m (2017: £16.9m) and cash and cash equivalents totalled £44.7m (2017: £35.7m).

On behalf of the Board

A handwritten signature in black ink, appearing to be 'L Nuttall', with a stylized, flowing script.

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

27 February 2019

## 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 4 executive Directors.

### 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 19 and 20 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 for the foreseeable future.

As a result of this review, the Directors believe the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Directors

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

J Cole  
D Cheeseman  
A Kennedy-Morley  
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.

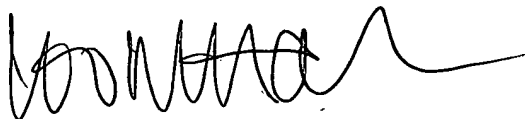
### Disclosure of information to auditor

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

A handwritten signature in black ink, appearing to be 'L Nuttall', with a stylized, flowing script.

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

27 February 2019

**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 Financial Reporting Standards as adopted by the European Union ("IFRS"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

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

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

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

### **Opinion**

We have audited the financial statements of SunLife Limited for the year ended 31 December 2018 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 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

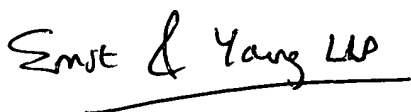
### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Robin Enstone (Senior Statutory Auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
Bristol

28 February 2019

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SUNLIFE LIMITED

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**Statement of comprehensive income**  
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue	3	78,348	39,514
Administrative expenses	4	(71,659)	(41,594)
Interest income		112	-
<b>Profit/(loss) for the year before tax</b>		<u>6,801</u>	<u>(2,080)</u>
Tax (charge)/credit	7	(1,262)	359
<b>Profit/(loss) for the year</b>		<u>5,539</u>	<u>(1,721)</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u><u>5,539</u></u>	<u><u>(1,721)</u></u>

SUNLIFE LIMITED

**Statement of financial position**  
as at 31 December 2018

	Notes	As at 31 December 2018 £000	As at 31 December 2017 £000
<b>Equity</b>			
Share capital	8	5,000	5,000
Capital contribution reserve	9	10,000	10,000
Retained earnings		5,275	(1,721)
<b>Total equity</b>		<b>20,275</b>	<b>13,279</b>
<b>Liabilities</b>			
Provisions	10	22,674	18,897
Accruals and deferred income	11	8,070	323
Other payables	12	2,610	5,295
<b>Total liabilities</b>		<b>33,354</b>	<b>24,515</b>
<b>Total equity and liabilities</b>		<b>53,629</b>	<b>37,794</b>
<b>Assets</b>			
Deferred tax asset	13	1	-
Prepayments and accrued income	14	5,044	552
Contract assets	15	2,882	-
Other receivables	16	973	1,574
Cash and cash equivalents	17	44,729	35,668
<b>Total assets</b>		<b>53,629</b>	<b>37,794</b>

On behalf of the Board



D Cheeseman  
Director

27 February 2019

SUNLIFE LIMITED

**Statement of cash flows**  
for the year ended 31 December 2018

	Notes	2018 £000	2017 £000
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	9,061	16,942
<b>Net cash flows from operating activities</b>		<u>9,061</u>	<u>16,942</u>
<b>Cash flows from investing activities</b>			
Transfer in of SunLife business		-	3,726
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>3,726</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	8	-	5,000
Capital contribution received	9	-	10,000
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>15,000</u>
<b>Net increase in cash and cash equivalents</b>		9,061	35,668
Cash and cash equivalents at the beginning of the year		35,668	-
<b>Cash and cash equivalents at the end of the year</b>	17	<u><u>44,729</u></u>	<u><u>35,668</u></u>

SUNLIFE LIMITED

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

	Share capital (note 8) £000	Capital contribution reserve (note 9) £000	Retained earnings £000	Total £000
At 1 January 2018	5,000	10,000	(1,721)	13,279
Adjustment on initial application of IFRS 15 (net of tax) (note 1(b))	-	-	1,457	1,457
<b>Adjusted opening balance at 1 January 2018</b>	<b>5,000</b>	<b>10,000</b>	<b>(264)</b>	<b>14,736</b>
Profit for the year	-	-	5,539	5,539
Total comprehensive income for the year	-	-	5,539	5,539
<b>At 31 December 2018</b>	<b>5,000</b>	<b>10,000</b>	<b>5,275</b>	<b>20,275</b>

Of the above, £15.3m (2017: £8.3m) is considered distributable.

	Share capital (note 8) £000	Capital contribution reserve (note 9) £000	Retained earnings £000	Total £000
At 1 January 2017	-	-	-	-
Loss for the year	-	-	(1,721)	(1,721)
Total comprehensive income for the year	-	-	(1,721)	(1,721)
Issue of share capital	5,000	-	-	5,000
Capital contribution received	-	10,000	-	10,000
<b>At 31 December 2017</b>	<b>5,000</b>	<b>10,000</b>	<b>(1,721)</b>	<b>13,279</b>

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

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

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

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

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

The results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings plc, a company incorporated in England and Wales. The registered address of Phoenix Group Holdings plc is Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.

**Statement of compliance**

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

**(b) Changes to accounting policies**

The Company has applied IFRS 9 and IFRS 15 for the first time in the current year. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

**IFRS 9 Financial Instruments**

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. IFRS 9 introduces new requirements that are applicable to the Company for the classification, measurement and impairment of financial assets. The key change is the introduction of a new impairment model that is based on expected loss (rather than incurred loss as per IAS 39). The above changes have been incorporated in the financial assets accounting policy (see note (e) below).

In accordance with the transitional provisions in IFRS 9, the standard has been applied prospectively and comparative figures have not been restated. As a result, the comparative information continues to be accounted for in accordance with the Company's previous accounting policy under IAS 39. The adjustments arising from the new impairment requirements are therefore not reflected in the comparative statement of financial position as at 31 December 2017, but are recognised in opening retained earnings as at 1 January 2018.

There have been no changes to the Company's classification, measurement and impairment of financial assets and therefore no adjustment is required to retained earnings.

**Reclassifications of financial assets on adoption of IFRS 9**

On the date of initial application, 1 January 2018, there have been no changes to the measurement categories or carrying amounts for financial assets under both IAS 39 and IFRS 9.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

## SUNLIFE LIMITED

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information for 31 December 2017 was not restated and continues to be reported under IAS 18 and related interpretations. The adjustment to retained earnings is noted in the statement of changes in equity. The effect of adopting IFRS 15 as at 1 January 2018 was as follows:

	Increase/ (decrease)
<b>Assets</b>	£000
Contract assets	1,799
Other receivables	(342)
<b>Total assets</b>	<u>1,457</u>
<b>Equity</b>	
Retained earnings	<u>1,457</u>

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on the Company's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

	Amounts prepared under		
	IFRS 15	Previous IFRS	Increase/ (decrease)
	£000	£000	£000
Revenue	78,348	77,265	1,083
<b>Profit/(loss) for the year before tax</b>	6,801	5,718	1,083
Tax (charge)/credit	(1,262)	(1,056)	(206)
<b>Profit/(loss) for the year</b>	<u>5,539</u>	<u>4,662</u>	<u>877</u>
<b>Equity</b>			
Retained Earnings	<u>5,275</u>	<u>2,940</u>	<u>2,335</u>
<b>Liabilities</b>			
Other payables	<u>2,610</u>	<u>2,062</u>	<u>548</u>
<b>Assets</b>			
Contract asset	<u>2,882</u>	<u>-</u>	<u>2,882</u>

Prior to IFRS 15 the Company recognised certain commission income upon receipt. Under IFRS 15 the consideration is variable because the commission received is contingent upon certain policyholder life events. The Company used the expected value method to estimate the variable consideration. Upon adoption of IFRS 15 the Company recognised a Contract Asset of £1,799,000 for the earned consideration as at 1 January 2018, a decrease in Other Receivables (being amounts receivable from fellow subsidiaries in respect of group relief) of £342,000 and an increase in Retained Earnings of £1,457,000.

As at 31 December 2018, IFRS 15 increased Contract Assets by £2,882,000, increased Other Payables (being amounts due to fellow subsidiaries in respect of group relief) by £548,000 and increased Retained Earnings by £2,335,000. It also increased Revenue and the Tax Charge for the year ended 31 December 2018 by £1,083,000 and £206,000 respectively.

**(c) 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 revenue recognition and the determination of provisions as discussed in accounting policy (k) and (i) respectively.

**(d) 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.

**(e) 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.

***Impairment of financial assets******Policy applicable before 1 January 2018***

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

***Policy applicable from 1 January 2018***

From 1 January 2018, 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 20 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.

**(f) 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.

**(g) 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.

**(h) Leases**

Where a significant element of the risks and rewards of title to the asset is retained by the lessor, such leases are treated as operating leases. Where the Company acts as the lessee in an operating lease arrangement, the payments made under operating leases, net of any incentives received from the lessor are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

**(i) 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.

**(j) 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.

**(k) 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.

**(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 2018, set out on pages 9 to 26, were authorised by the Board of Directors for issue on 27 February 2019.

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.

- IFRS 15 Revenue from Contracts with Customers (2018). IFRS 15 establishes a single comprehensive framework for determining whether, how and when revenue is recognised. The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018. Details of impacts of applying the new standard can be found in accounting policy 1(b). Additional disclosures are required by the standard and have been included in accounting policy 1(b) and notes 3 and 15 to the financial statements.
- IFRS 9 Financial Instruments (2018). Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model will require the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Details of impacts of applying the new standard can be found in accounting policy 1(b). Additional disclosures are required by the standard and have been included in accounting policy 1(b) and note 20 to the financial statements. The application of IFRS 9 does not have a material effect on the results of the Company.
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS12 Recognition of Deferred Tax Assets for Unrealised Losses

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

- IFRS 16 Leases (2019) The new standard introduces a single, on-balance sheet lease accounting model for lessees and removes the classification of leases as either operating or finance for lessees, thereby treating all leases as finance leases. A lessee will recognise a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments, for all of the Company's previously classified operating leases. The exemptions to not recognise short-term leases (less than 12 months) and leases of low-value assets, such as IT equipment will be taken by the Company. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has performed an initial impact assessment for the application of IFRS 16, and it has concluded that it will recognise new assets and liabilities in respect of its current property leases (see note 21). Although this will not have a significant impact on the overall equity position of the Company it is anticipated that there will be a material increase to property, plant and equipment and other payables within the Statement of Financial Position. The Company currently recognises operating lease expenses on a straight-line basis over the term of the lease. Following the application of the standard a depreciation charge on the right-of-use assets and interest expense on lease liabilities will be recognised. This will not affect the overall financial performance of the Company.

The transition requirements of the new standard will be applied using the modified retrospective approach. As a consequence, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. A practical expedient will also be used to grandfather the definition of a lease on transition. This means that IFRS 16 will be applied to all lease contracts as at the date of implementation that were considered to be in scope in accordance with the requirements of IAS 17 and IFRIC 4.

- Annual Improvements to IFRSs 2014-2016 Cycle (2018). The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 which is mandatorily effective for the Company in the current year. The Company does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Company does not have any associate or joint venture that is an investment entity.
- IFRIC 23 Uncertainty over Income Tax Treatments (2019). This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

Where not specifically stated, the impact on the Company of adopting the above standards, amendments and interpretations is subject to evaluation.

### 3. Revenue

	2018 £000	2017 £000
Revenue from contracts with customers		
Business manufactured within PLL	74,929	39,230
Third party business	3,419	284
	<u>78,348</u>	<u>39,514</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 £1,083,000.

IFRS 15 has been applied for the first time, with effect from 1 January 2018. Details and impacts of applying the new standard are noted in accounting policy 1(b).

### 4. Administrative expenses

	2018 £000	2017 £000
Employee costs	9,353	-
Other operating expenses	56,475	39,912
Movement in provisions	5,456	1,350
Operating lease rentals	375	332
	<u>71,659</u>	<u>41,594</u>

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

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On 1 January 2018 staff employed by Phoenix SL Direct Limited, a fellow group company, were transferred to the Company.

Employee costs comprise:

	2018	2017
	£000	£000
Wages and salaries (including termination benefits)	8,103	-
Social security contributions	754	-
Other pension costs	496	-
	<u>9,353</u>	<u>-</u>

	2018	2017
Average number of persons employed	<u>116</u>	<u>-</u>

**5. Directors' remuneration**

	2018	2017
	£000	£000
Remuneration (executive and non-executive Directors remuneration excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	<u>873</u>	<u>454</u>

Share option schemes and other long-term benefits	<u>81</u>	<u>36</u>
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Contributions to money purchase pension schemes	<u>5</u>	<u>5</u>
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	2018	2017
	Number	Number
Number of Directors accruing retirement benefits under:		
- a money purchase pension scheme	1	3

Number of Directors who had exercised share options during the year	1	2
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	2018	2017
	£000	£000
Highest paid Director's remuneration (apportionment)	<u>406</u>	<u>241</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.

**6. Auditor's remuneration**

The remuneration of the auditors of the Company in respect of the audit of the financial statements was £26,000 (2017: £11,000). In addition, audit related assurance services of £5,000 were incurred during the year (2017: £5,000).

**7. Tax charge/(credit)****Current year tax charge/(credit)**

	2018 £000	2017 £000
Current tax:		
UK Corporation tax	1,299	(359)
Adjustment in respect of prior years	(36)	-
Total current tax	<u>1,263</u>	<u>(359)</u>
Deferred tax		
Origination and reversal of temporary differences	(1)	-
Total deferred tax	<u>(1)</u>	<u>-</u>
Total tax charge/(credit)	<u>1,262</u>	<u>(359)</u>

**Reconciliation of tax charge/(credit)**

	2018 £000	2017 £000
Profit/(loss) before tax	6,801	(2,080)
Tax at standard UK rate of 19%	1,292	(395)
Adjustment in respect of prior years	(36)	-
Disallowed expenses	6	36
Total tax charge/(credit) for the year	<u>1,262</u>	<u>(359)</u>

**8. Share capital**

	2018 £000	2017 £000
Issued and fully paid: 5,000,002 (2017: 5,000,002) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

On 26 May 2017, the Company completed an allotment of 5,000,000 ordinary shares of £1 each.

The Company's Articles of Association contain a restriction on the number of shares that may be allotted (5,000,100 ordinary 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, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

**9. Capital contribution reserve**

	2018 £000	2017 £000
As at 1 January	10,000	-
Contribution received	-	10,000
As at 31 December	<u>10,000</u>	<u>10,000</u>

On 26 May 2017, the Company received a capital contribution of £10,000,000 from its parent company, PLL. The capital contribution has been treated as capital as there is no agreement for repayment. The reserve is considered distributable.

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**10. Provisions**

	Commission clawback £000	Leasehold properties £000	Regulatory levies £000	Gift Card £000	2018 Total £000
At 1 January 2018	17,547	377	973	-	18,897
Transfer in from PSLD	-	-	-	2,991	2,991
Additions in the year	29,336	55	-	8,119	37,510
Released in the year	(333)	-	(973)	(1,744)	(3,050)
Utilised during the year	(27,895)	-	-	(5,779)	(33,674)
At 31 December 2018	18,655	432	-	3,587	22,674

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 2018.

The leasehold properties 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.

As a result of the transfer of the SunLife business in July 2017 from Phoenix Wealth Services Limited ("PWS") (formerly AXA Wealth Services Limited), a fellow group company, the Company assumed responsibility for any regulatory levies owed by PWS in respect of SunLife business, specifically the Financial Service Compensation Scheme ("FSCS") levy. The provision has been released following confirmation from the FSCS that no levies are outstanding.

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.

**11. Accruals and deferred income**

	2018 £000	2017 £000
Accrued expenses	8,070	323
Amount due for settlement after 12 months	2,886	-

**12. Other payables**

	2018 £000	2017 £000
Amounts due to fellow subsidiaries	1,620	4,991
Other payables	990	304
	2,610	5,295
Amount due for settlement after 12 months	-	-

**13. Tax assets and liabilities**

	2018 £000	2017 £000
Deferred tax asset	1	-

**Movement in deferred tax asset**

Year ended 31 December 2018

	At 1 January £000	Recognised in the Statement of comprehensive income £000	At 31 December £000
Provisions and other temporary differences	-	1	1
	-	1	1

Finance Act 2017 reduced the rates of corporation tax from 20% to 19% in April 2018 and to 17% from April 2020. Consequently a blended rate of tax has been used for the purposes of providing for deferred tax in these financial statements.

**14. Prepayments and accrued income**

	2018 £000	2017 £000
Prepayments	2,832	-
Accrued Income	2,212	552
	5,044	552
Amount recoverable after 12 months	-	-

**15. Contract Assets**

	2018 £000	2017 £000
Contract asset	2,882	-
Amount recoverable after 12 months	2,646	-

The Company elected to apply IFRS 15 to all contracts as at 1 January 2018. Details of the impacts in applying the new standard can be found in accounting policy 1(b).

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**16. Other receivables**

	2018 £000	2017 £000
Amount due from immediate parent	973	1,215
Amounts due from fellow subsidiaries	-	359
	<u>973</u>	<u>1,574</u>
Amount recoverable after 12 months	<u>-</u>	<u>-</u>

**17. Cash and cash equivalents**

	2018 £000	2017 £000
Bank and cash balances	<u>44,729</u>	<u>35,668</u>

**18. Cash flows**

***Cash flows from operating activities***

	2018 £000	2017 £000
Profit/(loss) for the year before tax	6,801	(2,080)
Non-cash movements in profit/(loss) for the year before tax		
Change in provisions	3,777	18,897
Changes in operating assets and liabilities		
Change in other receivables	242	(1,215)
Change in other payables	(4,290)	5,295
Change in other assets and liabilities	2,531	(3,955)
Cash generated from operations	<u>9,061</u>	<u>16,942</u>

The cash flow has been prepared using the indirect method.

**19. Capital management**

The Company's capital comprises share capital and reserves. At 31 December 2018, total capital was £20,275,000 (2017: £13,279,000).

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 2018, the amount of capital that the Company was required to hold was £1,918,000 (2017: £2,100,000) and the excess capital over that required was £18,357,000 (2017: £11,179,000).

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 2018. This showed a positive profitability and hence growth in net assets of the company over the period.

## 20. Risk management

The principal risks and uncertainties facing the Company are sales and distribution risk, capital management risk, lapse risk, counterparty risk, credit risk and liquidity 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 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	15	N/A	Performing	Lifetime ECL (simplified approach)	2,882	-	2,882
Intercompany receivables	16	N/A	Performing	12 month ECL	973	-	973
Cash and cash equivalents	17	A	Performing	12 month ECL	44,729	-	44,729

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.

Intercompany receivables – The credit risk from activities undertaken in the normal course of business is considered to be extremely low risk. The Company assesses whether there has been a significant increase in credit risk since initial recognition by assessing past credit impairments, history of defaults and the long term stability of the Phoenix Group.

Cash and cash equivalents - The Company's cash and cash equivalents are held with a financial institution which has an A 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.

## 21. Operating leases

Operating lease rentals charged within administrative expenses amounted to £375,000 (2017: £332,000).

The Company has commitments under non-cancellable operating leases as set out below:

	2018 £000	2017 £000
Not later than one year	483	209
Later than one year and no later than five years	1,905	1,914
Later than five years	1,423	1,897
	<u>3,811</u>	<u>4,020</u>

The operating lease commitments are principally in respect of 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.

## 22. Related party transactions

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

### **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 2018 amounted to £1,185,000 and at the end of the year £15,000 was payable. Prior to 1 January 2018, administration services were provided by Phoenix SL Direct Limited ("PSLD"), a fellow group company. The charge for the year ended 31 December 2017 amounted to £39,912,000 and £4,240,000 was payable at 31 December 2017.

### **Transactions with PSLD**

On 1 January 2018, a gift card provision of £2,991,000 and accrued expenses of £5,801,000 were transferred to the Company from PSLD via an intercompany transfer. The balance was settled on 20 February 2018.

### **Transactions with Phoenix AW Limited ("PAWL")**

Commission received from PAWL, a fellow group company, for the year ended 31 December 2017 amounted to £24,184,000. Effective 30 September 2017, the long term business of PAWL transferred to PLL under a Part VII Scheme.

### **Transactions with PLL**

Commission received from PLL for the year ended 31 December 2018 amounted to £81,310,000 (2017: £21,326,000) and at the end of the year £973,000 (2017: £1,215,000) was receivable.

The Company has a provision for commission clawback payable to PLL at 31 December 2018 of £15,719,000 (2017: £14,361,000).

During the year the Company made payments totalling £386,000 to PLL as reimbursement for VAT liabilities settled by PLL on behalf of the Company.

On 26 May 2017, the Company received a capital contribution of £10,000,000 from PLL. On the same day PLL purchased 5,000,000 £1 ordinary shares, of the Company for £5,000,000.

**Transactions with Phoenix Wealth Services Limited ("PWS")**

On 1 July 2017, the Company acquired the SunLife business and associated assets and liabilities from PWS, a fellow group company, via a business transfer agreement. The assets and liabilities were transferred at book value. The Company accepted £3,726,000 as cash consideration. There was no impact on profit or equity as a result of the transfer.

Commission payments made by PWS on behalf of the Company for the year ended 31 December 2017 amounted to £2,439,000. At 31 December 2017, the Company had an amount due to PWS of £751,000, which was settled on 22 January 2018. Following this settlement there has been no further transactions between the Company and PWS.

**Amounts due to / from fellow subsidiaries**

At 31 December 2018, an amount of £1,605,000 was payable to (2017: £359,000 receivable from) fellow subsidiaries in respect of group tax relief.

**Key management compensation**

The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5. During the year to 31 December 2018, key management and other family members had no other transactions with the Company.

**Parent and ultimate parent entity**

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

**23 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.

**24. Other information**

The Company is a private limited company registered in England and Wales. Its registration number is 5460862 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. Its principal place of business is the United Kingdom.

The Company's immediate parent is Phoenix Life Limited and its ultimate parent is Phoenix Group Holdings plc, a company incorporated in England and Wales. A copy of the financial statements of Phoenix Group Holdings plc can be obtained from the Company Secretary, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.