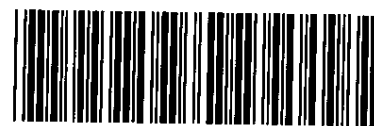


# PHOENIX LIFE HOLDINGS LIMITED

Company Registration Number: 06977344

STRATEGIC REPORT, DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS  
for the year ended 31 December 2021

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PHOENIX LIFE HOLDINGS LIMITED

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**Contents**

Strategic report..... 2

Directors’ report..... 4

Statement of Directors' responsibilities..... 6

Independent Auditor's report to the members of Phoenix Life Holdings Limited..... 7

Income statement..... 10

Statement of financial position ..... 11

Statement of cash flows ..... 12

Statement of changes in equity..... 13

Notes to the financial statements..... 14

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Strategic report**

The Directors present the Strategic report of Phoenix Life Holdings Limited ('the Company') for the year ended 31 December 2021.

**Principal activities**

The principal activity of the Company is that of an investment company, and this will continue to be its principal activity for the foreseeable future.

**Corporate activity****Result and dividends**

The results of the Company for the year are shown in the income statement on page 10. The loss before tax was £76.5m (2020: profit before tax of £13.0m). The results for 2020 include the gains of £77.1m which arose on the maturity of derivative contracts.

During the year, the Company entered into further derivative transactions which hedge the Group's foreign exchange exposure. The Company's exposure under these derivatives is transferred to the Group's ultimate parent, Phoenix Group Holdings plc through offsetting intragroup derivatives.

No dividends were paid during the current or prior year.

**Position as at 31 December 2021**

The net assets of the Company at 31 December 2021 were £2,652.1m (2020: £2,713.1m). The decrease in the period reflects the loss after taxation arising in the year of £61.0m (2020: profit after tax of £10.5m).

**Principal risks and uncertainties**

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

The principal risks and uncertainties facing the Company are:

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

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

**Key Performance Indicators ('KPIs')**

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

**Directors' duties under section 172 of the Companies Act**

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

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

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

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**PHOENIX LIFE HOLDINGS LIMITED**

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


- The Company's immediate and ultimate parent, Phoenix Group Holdings plc;
- Any employees who provide services to the the Company via service companies within the Phoenix Group;

Significant decisions that show how the Board considered relevant matters set out in section 172 are outlined in the table below, demonstrating how the directors of the Company have carried out their duties under section 172 of the Companies Act 2006 during the year ended 31 December 2021.

<b>KEY BOARD DECISION</b>	<b>Approval of Annual Accounts for the year ended 31 December 2020 ('YE20')</b>
<b>STRATEGIC IMPORTANCE</b>	<b>CONSIDERATION OF S172 MATTERS</b>
Optimising our in-force business  Investing in a sustainable future	<ul style="list-style-type: none"> <li>• <b>Long term consequences:</b> as part of the year-end accounts approval process the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE20 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long term impact of the decision to approve the YE20 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate.</li> <li>• <b>Maintaining a reputation for high standards of business conduct:</b> prior to approving the YE20 accounts, the Board considered the outcome of an external audit for the accounts, including assessments relating to the impact of COVID 19 on the Company. By ensuring that clearance had been received from the external auditor, the Board was able to ensure that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders.</li> </ul>
<b>OUTCOME</b>	Following due consideration of the matters set out in section 172, the Board approved the YE20 accounts.
<b>KEY BOARD DECISION</b>	<b>Group subsidiary capital reduction</b>
<b>STRATEGIC IMPORTANCE</b>	<b>CONSIDERATION OF S172 MATTERS</b>
Optimising our in-force business	<ul style="list-style-type: none"> <li>• <b>Maintaining a reputation for high standards of business conduct:</b> as a matter reserved for the Board of the Company, the Board was asked to consider a proposed reduction in the share capital of a Group subsidiary company. In doing so, the Board noted the rationale for the proposed reduction, together with a summary of the means by which the reduction, if approved, would be achieved. The Board also noted that the proposal supported wider entity consolidation activity within the Group and that non-objection to the proposal by the Company would allow the proposed reduction to proceed, subject to the approvals of the Boards of the relevant entities.</li> </ul>
<b>OUTCOME</b>	Following due consideration of the matters set out in section 172, the Board confirmed its non-objection to the proposal to reduce the share capital of the Group subsidiary in question.

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

On behalf of the Board

Digitally signed by:  
  
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W Swift  
 Director  
 29 September 2022

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**PHOENIX LIFE HOLDINGS LIMITED**


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**Directors' report**

The Directors present their report and the financial statements of the Company for the year ended 31 December 2021.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is 06977344 and its Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

**Going concern**

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

The Directors have followed the UK Financial Reporting Council's '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 twelve months from the signing date to 30 September 2023.

The Company's subsidiaries, as listed in note 17, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide letters of support to one of its subsidiaries, Impala Holdings Limited for £103.0m. The Company will provide the financial support from the date of authorisation of the financial statements to 30 September 2023. The provision of such support has been included within the Company's own going concern assessment.

Furthermore, the Company has agreed and undertakes to Pearl Group Holdings (No. 2) Limited ('PGH2L') that on written request from PGH2L, and to the extent that funds are not otherwise available to PGH2L to meet its liabilities, the Company shall either directly pay any debt or claim outstanding from PGH2L to any of its creditors or shall fund PGH2L in such manner as may be agreed to enable PGH2L to meet its obligations up to a maximum value of £205.0m. As at 31 December 2020, the Company has provided £138.4m to PGH2L under this support arrangement. During the year, the Company provided £nil (2020: £nil) to PGH2L under the above support arrangement, leaving the remaining support available to PGH2L at a maximum value of £66.6m.

The Company has an agreement in place with Phoenix Group Holdings Public Limited Company ('PGH plc') under which the Company can demand, and PGH plc will be required to make, advances to the Company up to the amount available on the PGH plc's revolving credit facility. The maturity date of the revolving credit facility is on 27 June 2026. At 31 December 2021, the amount available on the revolving credit facility was £1.25bn.

As a result of this review, the Directors believe the Company has adequate resources to continue to meet liabilities as they fall due for the period up to 30 September 2023. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Directors and their interests**

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

R Thakrar  
A Briggs  
W Swift

Appointed 8 October 2021

**Secretary**

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

**Disclosure of indemnity**

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

**Disclosure of information to auditors**

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

*This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.*

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PHOENIX LIFE HOLDINGS LIMITED

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**Statement on Business Relationships**

*Business relationships with customers*

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Specifically, Board papers presented to the directors of Phoenix Life Holdings Limited require authors to consider and provide detail relating to the potential impact of any proposals on customers, ensuring that the Board is able to pay due regard to such matters.

*Business relationships with Partners/Suppliers*

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

**Energy and carbon reporting**

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

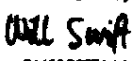
**Re-appointment of auditors**

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

**Section 172 requirements**

The information required by section 172 of the Companies Act 2006 is provided in the Strategic report.

On behalf of the Board

Designated by:  
  
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W Swift  
Director

29 September 2022

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Statement of Directors' responsibilities**

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

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

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

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

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Independent Auditor's report to the members of Phoenix Life Holdings Limited****Opinion**

We have audited the financial statements of Phoenix Life Holdings Limited (the 'Company') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 30 September 2023.

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

**Other information**

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

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

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

We have nothing to report in this regard.

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

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

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



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## PHOENIX LIFE HOLDINGS LIMITED

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### **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.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (International Accounting Standards and the Companies Act 2006) and the relevant direct tax regulation in the United Kingdom
- We understood how the Company is complying with those frameworks by making inquiries with those charged with governance, internal audit and management to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company has established to address the risks identified by the entity and to prevent or detect fraud, including in a remote-working environment; and how management monitors these controls. We identified the risk of material fraud related to management override of controls. We evaluated the appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiry of senior management and internal audit for their awareness of any non-compliance of laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers, inquiring about the Company's method of enforcing and monitoring compliance with such policies and inspecting significant correspondences with the regulators.

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PHOENIX LIFE HOLDINGS LIMITED

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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.

Designed by:

*Ernst & Young LLP*

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

29 September 2022 | 6:34:15 BST

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**PHOENIX LIFE HOLDINGS LIMITED**


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**Income statement**  
for the year ended 31 December 2021


	Notes	2021 £m	2020 £m
<b>Revenue</b>			
Investment income	3	2.5	94.4
Other income	4	0.4	3.8
<b>Total income</b>		<u>2.9</u>	<u>98.2</u>
<b>Expenses</b>			
Other operating expenses	5	(0.3)	-
<b>Total operating expenses</b>		<u>(0.3)</u>	<u>-</u>
<b>Profit before finance costs and tax</b>		<u>2.6</u>	<u>98.2</u>
Finance costs	9	(79.1)	(85.2)
<b>(Loss)/profit for the year before tax</b>		<u>(76.5)</u>	<u>13.0</u>
Tax credit/(charge)	10	15.5	(2.5)
<b>Total (loss)/income for the year attributable to owners</b>		<u>(61.0)</u>	<u>10.5</u>

## PHOENIX LIFE HOLDINGS LIMITED

Statement of financial position  
as at 31 December 2021

	Notes	2021 £m	2020 £m
<b>Equity attributable to owners</b>			
Share capital	11	806.0	806.0
Capital contribution	12	876.8	876.8
Retained earnings		969.3	1,030.3
<b>Total equity</b>		<b>2,652.1</b>	<b>2,713.1</b>
<b>Non-current liabilities</b>			
Long-term borrowings	13	795.1	1,239.6
<b>Total non-current liabilities</b>		<b>795.1</b>	<b>1,239.6</b>
<b>Current liabilities</b>			
Short-term borrowings	13	884.3	434.7
Derivative liabilities	14	39.1	-
Obligation for repayment of collateral received		43.3	-
Amounts due to Group entities		187.4	184.1
Other payables	15	1.1	1.1
Accruals	16	48.9	19.9
<b>Total current liabilities</b>		<b>1,204.1</b>	<b>639.8</b>
<b>Total liabilities</b>		<b>1,999.2</b>	<b>1,879.4</b>
<b>Total equity and liabilities</b>		<b>4,651.3</b>	<b>4,592.5</b>
<b>Non-current assets</b>			
Investments in subsidiaries	17	3,871.9	3,871.9
Loans and receivables	18	-	385.7
Deferred tax assets	19	4.1	-
<b>Total non-current assets</b>		<b>3,876.0</b>	<b>4,257.6</b>
<b>Current assets</b>			
Loans and receivables	18	298.9	-
Amounts due from Group entities		335.4	239.9
Accrued income	20	29.5	-
Financial assets at fair value through profit or loss	21	72.3	95.0
Derivative assets	14	39.1	-
Cash and cash equivalents	22	0.1	-
<b>Total current assets</b>		<b>775.3</b>	<b>334.9</b>
<b>Total assets</b>		<b>4,651.3</b>	<b>4,592.5</b>

On behalf of the Board

DocuSigned by:  
  
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W Swift  
 Director

29 September 2022

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Statement of cash flows**  
for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
<b>Cash flows from operating activities</b>			
Cash generated by operations	23	11.9	146.0
<b>Net cash flows from operating activities</b>		<u>11.9</u>	<u>146.0</u>
<b>Cash flows from investing activities</b>			
Disposal/(acquisition) of financial assets		22.7	(87.9)
Settlement of derivatives		-	59.3
Loans repaid by group companies		90.0	-
<b>Net cash flows from/(used in) investing activities</b>		<u>112.7</u>	<u>(28.6)</u>
<b>Cash flows from financing activities</b>			
Interest paid on borrowings		(124.5)	(117.4)
<b>Net cash flows used in financing activities</b>		<u>(124.5)</u>	<u>(117.4)</u>
<b>Net increase in cash and cash equivalents</b>		<u>0.1</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<u>0.1</u>	<u>-</u>
<b>Supplementary disclosures on cash flow from operating activities</b>			
Interest received		<u>48.8</u>	<u>36.4</u>

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Statement of changes in equity**  
for the year ended 31 December 2021

	Share capital (note 11) £m	Capital contribution reserve (note 12) £m	Retained earnings £m	Total £m
<b>At 1 January 2021</b>	806.0	876.8	1,030.3	2,713.1
Total comprehensive loss for the year	-	-	(61.0)	(61.0)
<b>At 31 December 2021</b>	<u>806.0</u>	<u>876.8</u>	<u>969.3</u>	<u>2,652.1</u>

	Share capital (note 11) £m	Capital contribution reserve (note 12) £m	Retained earnings £m	Total £m
<b>At 1 January 2020</b>	806.0	876.8	1,019.8	2,702.6
Total comprehensive income for the year	-	-	10.5	10.5
<b>At 31 December 2020</b>	<u>806.0</u>	<u>876.8</u>	<u>1,030.3</u>	<u>2,713.1</u>

Included in retained earnings are reserves of £399.8m (2020: £399.8m) which are considered to be non-distributable. The capital contribution reserve is considered to be a distributable reserve. Total distributable reserves are £1,446.3m (2020: £1,507.3m).

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**PHOENIX LIFE HOLDINGS LIMITED**

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

The financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

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

The Company's subsidiaries, as listed in note 17, perform their own going concern assessment. In order to ensure those entities have adequate resources to continue in operational existence, the Company has agreed to provide letters of support to one of its subsidiaries, Impala Holdings Limited for £103.0m. The Company will provide the financial support from the date of authorisation of the financial statements to 30 September 2023. The provision of such support has been included within the Company's own going concern assessment.

Furthermore, the Company has agreed and undertakes to Pearl Group Holdings (No. 2) Limited ('PGH2L') that on written request from PGH2L, and to the extent that funds are not otherwise available to PGH2L to meet its liabilities, the Company shall either directly pay any debt or claim outstanding from PGH2L to any of its creditors or shall fund PGH2L in such manner as may be agreed to enable PGH2L to meet its obligations up to a maximum value of £205.0m. As at 31 December 2020, the Company has provided £138.4m to PGH2L under this support arrangement. During the year, the Company provided £nil (2020: £nil) to PGH2L under the above support arrangement, leaving the remaining support available to PGH2L at a maximum value of £66.6m.

The Company has an agreement in place with Phoenix Group Holdings Public Limited Company ('PGH plc') under which the Company can demand, and PGH plc will be required to make, advances to the Company up to the amount available on the PGH plc's revolving credit facility. The maturity date of the revolving credit facility is on 27 June 2026. At 31 December 2021, the amount available on the revolving credit facility was £1.25bn.

As a result of this review, the Directors believe the Company has adequate resources to continue to meet liabilities as they fall due for the period up to 30 September 2023. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The financial statements are separate financial statements and the exemption in section 400 of the Companies Act 2006 has been used not to present consolidated financial statements. The 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 results of the Company are consolidated into the accounts of the Company's ultimate parent, Phoenix Group Holdings PLC ('PGH plc'), a company incorporated in England and Wales. The registered address of PGH plc is 20 Old Bailey, London, EC4M 7AN.

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

**Statement of compliance**

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

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

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

**(b) Critical accounting estimates and judgements**

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

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**PHOENIX LIFE HOLDINGS LIMITED**

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

***Fair value of financial instruments***

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

***Impairment of investments in subsidiaries and loans to Group entities***

Investments in subsidiaries and loans to Group entities are subject to regular impairment reviews when management are aware of objective evidence of impairment. Impairments of investments in subsidiaries are measured at the difference between the carrying value of a particular asset and its estimated value in use. Impairments of investments in loans to Group entities are measured at the difference between the carrying value and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate. Impairments are recognised in the income statement in the period in which they occur. The Company's policies in relation to impairment testing of investments in subsidiaries and loans to Group entities are detailed in accounting policies (e) and (f) respectively.

***Impairment of financial assets***

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

Collective investment schemes are designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value. They are designated at fair value through profit or loss because they are managed and evaluated on a fair value basis in accordance with the Company's stated risk management policies. These instruments are recognised initially at fair value (transaction costs are expensed) and subsequently are re-measured to fair value.

***Income taxes***

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

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

***How Climate risk affects our accounting judgments and estimates***

In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial assets, and owner occupied property. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

**(c) Borrowings**

The majority of interest-bearing borrowings are recognised initially at fair value less any attributable transaction costs. The difference between initial cost and the redemption value is amortised through the income statement over the period of the borrowing using the effective interest method.

**(d) Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in the income statement or the statement of changes in equity, in which case it is recognised in these statements.

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



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**PHOENIX LIFE HOLDINGS LIMITED**

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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) Investment in subsidiaries**

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

The Company assesses at each reporting date whether an investment in a subsidiary or group of investments in subsidiaries held at cost is impaired. The Company first assesses whether objective evidence of impairment exists. If objective evidence of impairment exists the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value and recognises the amount as an expense in the income statement. The impact of any impairments recognised in respect of investments in subsidiaries is set out in note 17.

**(f) Loans and receivables**

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

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

**(g) Derivatives**

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

***Fair value estimation***

The fair value of financial instruments traded in active markets such as derivatives are based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date. The fair value of investments that are not traded in an active market is determined using valuation techniques such as broker quotes, pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flow techniques are used, estimated future cash flows are based on contractual cash flows using current market conditions and market calibrated discount rates and interest rate assumptions for similar instruments.

**(h) Financial assets**

***Classification of Financial assets***

Financial assets are measured at amortised cost where they have:

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

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

Financial assets measured at amortised cost are included in note 18 Loans and receivables.

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

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**PHOENIX LIFE HOLDINGS LIMITED**

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***Impairment of financial assets carried at amortised cost***

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

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

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

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

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

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

***Fair value estimation***

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

***(i) Cash and cash equivalents***

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

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

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

***Capital contributions***

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

***(k) Subordinated loans treated as equity***

Certain subordinated loans meet the definition of equity for accounting purposes. Accordingly, they are shown at the proceeds of issue and interest payments are recognised on the date of payment and charged directly to the statement of changes in equity, net of tax relief.

***(l) Income recognition******Investment income***

Investment income comprises interest, dividends and fair value gains and losses on financial assets.

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

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

***(m) Finance costs***

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest method.

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**PHOENIX LIFE HOLDINGS LIMITED**

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**(n) Dividends**

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

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

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

**(p) 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 2021, set out on pages 10 to 30 were authorised by the Board of Directors for issue on 29 September 2022.

In preparing the financial statements, the Company has continued to adopt the standards, interpretations and amendments as applied in previous years.

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

- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (1 January 2022): The amendments specify which costs a company includes when assessing whether a contract will be loss-making. These amendments are not expected to have a significant impact on the Company.
- IFRS 9 Financial Instruments (1 January 2023): 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.
- Annual Improvements Cycle 2018 – 2020 (1 January 2022): Minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. These amendments do not currently have any impact on the Company.
- Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (2023). The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023): The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'.
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023): The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. These amendments are not expected to have any impact on the Company.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023): The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences.

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**PHOENIX LIFE HOLDINGS LIMITED**

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**3. Investment income**

	2021 £m	2020 £m
Investment income		
Interest income on cash and cash equivalents	-	0.5
Interest income on loans and receivables	3.2	5.7
Net interest income on cross currency interest rate swaps	2.3	-
	<u>5.5</u>	<u>6.2</u>
Fair value (loss)/gain		
Gain on matured derivatives	-	77.1
Unrealised foreign exchange (loss)/gain	(3.0)	11.1
Investment income	<u>2.5</u>	<u>94.4</u>

Interest income on loans and receivables includes interest of £3.2m (2020: £5.7m) on loans to Group entities.

**4. Other income**

	2021 £m	2020 £m
Release of deferred income (see note 16)	0.4	3.8
Other income	<u>0.4</u>	<u>3.8</u>

**5. Other operating expenses**

	2021 £m	2020 £m
Recharged service costs	<u>0.3</u>	<u>-</u>

Recharged service costs include £0.3m (2020: £nil) for management services and project costs charged by Standard Life Assurance Limited, a fellow subsidiary.

**6. Employee information**

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

**7. Directors' remuneration**

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

	2021 £000	2020 £000
Salaries and other short-term benefits	<u>213</u>	<u>252</u>
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	<u>213</u>	<u>252</u>
Share-based payments	<u>236</u>	<u>261</u>
Contributions to money purchase pension schemes	<u>1</u>	<u>1</u>

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**PHOENIX LIFE HOLDINGS LIMITED**


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Highest paid Directors' remuneration:

Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	156	142
Share-based payments	187	205
Contributions to money purchase pension schemes	-	-
Number of Directors who are members of a money purchase pension scheme	1	1
Number of Directors who exercised share options during the year	1	1

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

For the purposes of this note an apportionment of the total remuneration paid to the Directors of the Company by the Phoenix Group has been made based on an estimate of the services rendered to the Company.

During the year ended 31 December 2021 key management personnel and their close family members contributed £380,000 to pensions and savings products sold by the Phoenix Group. At 31 December 2021, the total value of key management personnel's investments in Group pensions and savings products was £439,000.

#### 8. Auditor's remuneration

The remuneration of the auditor of the Company, including their associates in respect of the audit of the financial statements was £0.1m (2020: £0.1m).

#### 9. Finance costs

	2021 £m	2020 £m
Interest expense on borrowings at amortised cost	75.4	83.8
Amortisation of debt issue costs (see note 13)	1.4	1.4
Net interest expense on cross currency interest rate swaps	2.3	-
	<u>79.1</u>	<u>85.2</u>

Interest expense on borrowings relates to interest of £75.4m (2020: £83.8m) on loans with Group entities.

The net interest expense on cross currency interest rate swaps of £2.3m (2020: £nil) is due to Phoenix Group Holdings PLC.

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**PHOENIX LIFE HOLDINGS LIMITED**

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

	2021 £m	2020 £m
Current tax		
UK Corporation tax	(11.4)	2.5
Total current tax for the year	<u>(11.4)</u>	<u>2.5</u>
Deferred tax		
Origination and reversal of temporary differences	(3.1)	-
Changes in the rate of UK corporation tax	(1.0)	-
Total deferred tax for the year	<u>(4.1)</u>	<u>-</u>
Total tax (credit)/charge for the year	<u>(15.5)</u>	<u>2.5</u>

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

	2021 £m	2020 £m
(Loss)/profit for the year before tax	<u>(76.5)</u>	<u>13.0</u>
Tax at standard UK rate of 19.00% (2020: 19.00%)	(14.5)	2.5
Deferred tax changes in the rate of UK corporation tax	(1.0)	-
Total tax (credit)/charge for the year	<u>(15.5)</u>	<u>2.5</u>

**11. Share capital**

	2021 £m	2020 £m
Issued and fully paid: 806,000,022 (2020: 806,000,022) ordinary shares of £1 each	<u>806.0</u>	<u>806.0</u>

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

**12. Capital contribution**

	2021 £m	2020 £m
At 1 January and 31 December	<u>876.8</u>	<u>876.8</u>

The capital contribution reserve has been treated as a distributable reserve as there is no agreement for its repayment.

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**PHOENIX LIFE HOLDINGS LIMITED**


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**13. Borrowings**

	Carrying value		Fair value	
	2021	2020	2021	2020
	£m	£m	£m	£m
Loans from Group companies at amortised cost:				
a) £428.1m subordinated loan	426.8	426.5	498.0	516.4
b) £450.0m subordinated loan	449.6	448.7	457.5	470.6
c) £435.0m loan facility	434.7	434.7	434.7	434.7
d) \$500.0m subordinated loan	368.3	364.4	411.8	416.1
Total borrowings	<u>1,679.4</u>	<u>1,674.3</u>	<u>1,802.0</u>	<u>1,837.8</u>
Amounts due for settlement within 12 months	<u>884.3</u>	<u>434.7</u>		
Amounts due for settlement after 12 months	<u>795.1</u>	<u>1,239.6</u>		

- a) On 23 January 2016 the Company entered into a £428.1m loan (as borrower) from PGH Capital plc ('PGHC') (as lender). The loan accrues interest at 6.675% and has a maturity date of 18 December 2025. The loan is subordinate to the senior creditors of the Company, and all payments under the loan are conditional upon the Company being solvent both at the time of payment and immediately thereafter. On 20 March 2017, PGHC was substituted as lender under this loan by Phoenix Group Holdings ('PGH').

On 12 December 2018, PGH was substituted as lender under this loan by Phoenix Group Holdings Plc ('PGHP'), the Company's ultimate parent entity.

Debt issue costs incurred were offset against the value of the loan and these are being amortised over the life of the loan. During the year £0.3m debt issue costs were amortised (2020: £0.3m), and interest of £28.6m was incurred (2020: £28.6m).

- b) On 20 January 2017, the Company entered into a £300.0m loan (as borrower) from PGHC (as lender). The loan accrues interest at 4.175% and has a maturity date of 20 July 2022. The loan is subordinate to the senior creditors of the Company, and all payments under the loan are conditional upon the Company being solvent both at the time of payment and immediately thereafter. On 20 March 2017, PGHC was substituted as lender under this loan by PGH.

On 5 May 2017, the Company and PGH entered into a restated loan agreement in respect of this loan. Under the terms of the restated agreement, PGH advanced the Company a further £150.0m, increasing the loan to £450.0m. The interest rate on the restated loan was amended to 4.158%. The other terms of the restated loan, including the maturity date and subordination conditions, remained unchanged.

On 12 December 2018, PGH was substituted as lender under this loan by PGHP.

Debt issue costs of £4.7m were offset against the value of the loan and these are amortised over the life of the loan. During the year, £0.9m (2020: £0.9m) of debt issue costs were amortised and interest of £18.7m (2020: £18.7m) was incurred.

Subsequent to the year-end, PGH and the Company agreed to amendments to the terms of the loan advanced to the Company. Under the amendments to the loan, the maturity date for the loan was amended to 31 December 2027 and the margin on the loan was amended to compounded SONIA plus a margin of 1.2986%.

- c) On 28 May 2015 the Company was advanced a loan from Pearl Group Holdings (No. 2) Limited. The loan accrues interest compounded SONIA plus a margin of 1.0366%. The maturity date of the loan facility is 31 December 2022.

Interest of £8.7m was incurred under this loan during the year (2020: £15.2m).

- d) On 6 July 2017, the Company entered into a US \$500.0m loan (as borrower) from PGH (as lender), receiving £385.0m. The loan accrues interest at 5.375% and has a maturity date of 6 July 2027. The loan is subordinate to the senior creditors of the Company, and all payments under the loan are conditional upon the Company being solvent both at the time of payment and immediately thereafter. On 12 December 2018, PGH was substituted as lender under this loan by PGHP.

Debt issue costs of £2.3m were offset against the value of the loan and these are amortised over the life of the loan. During the year, £0.2m of debt issue costs were amortised (2020: £0.2m) and interest of £19.4m (2020: £21.0m) was incurred.

## PHOENIX LIFE HOLDINGS LIMITED

**Reconciliation of borrowings**

The table below details the changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

2021	1 Jan 2021	Cash flow items	Non cash flow items			31 Dec 2021
		Loans repaid	Foreign exchange loss	Interest capitalised	Issue costs amortised	
	£m	£m	£m	£m	£m	£m
£428.1m subordinated loan	426.5	-	-	-	0.3	426.8
£450.0m subordinated loan	448.7	-	-	-	0.9	449.6
£435.0m loan facility	434.7	-	-	-	-	434.7
\$500m subordinated loan	364.4	-	3.7	-	0.2	368.3
Total borrowings	1,674.3	-	3.7	-	1.4	1,679.4

2020	1 Jan 2020	Cash flow items	Non cash flow items			31 Dec 2020
		Loans repaid	Foreign exchange gain	Interest capitalised	Issue costs amortised	
	£m	£m	£m	£m	£m	£m
£428.1m subordinated loan	426.2	-	-	-	0.3	426.5
£450.0m subordinated loan	447.8	-	-	-	0.9	448.7
£435.0m loan facility	434.7	-	-	-	-	434.7
\$500m subordinated loan	375.4	-	(11.2)	-	0.2	364.4
Total borrowings	1,684.1	-	(11.2)	-	1.4	1,674.3

**Nature of borrowings**

	2021 £m	2020 £m
Fixed rate borrowings	1,244.7	1,239.6
Floating rate borrowings	434.7	434.7
	<u>1,679.4</u>	<u>1,674.3</u>

**Determination of fair value and fair value hierarchy of borrowings**

Borrowings are categorised as Level 3 financial instruments. The fair value of borrowings with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

There were no level 1 or level 2 borrowings in 2021 or 2020.

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



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**PHOENIX LIFE HOLDINGS LIMITED**


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**14. Derivatives**

The fair values of derivative financial instruments are as follows:

	Assets 2021 £m	Liabilities 2021 £m	Assets 2020 £m	Liabilities 2020 £m
<b>OTC derivatives</b>				
Cross currency interest rate swaps	36.0	-	-	-
Foreign exchange swap	3.1			
<b>Group derivatives</b>				
Cross currency interest rate swaps	-	36.0	-	-
Foreign exchange swap		3.1		
<b>Total derivatives</b>	<u>39.1</u>	<u>39.1</u>	<u>-</u>	<u>-</u>

**Determination of fair value and fair value hierarchy of derivatives**

The OTC and Group derivatives are both categorised as Level 2 financial instruments. The fair values of over the counter and group derivatives are estimated using pricing models. Where pricing models are used, inputs are based on market related data at the period end.

There were no level 1 or level 3 derivative liabilities in 2021 or 2020.

**15. Other payables**

	2021 £m	2020 £m
Reimbursement liability payable to a Group entity	1.1	1.1
Other payables	<u>1.1</u>	<u>1.1</u>

**16. Accruals**

	2021 £m	2020 £m
Accrued interest on borrowings	19.2	19.3
Interest payable on cross currency interest rate swaps	29.5	-
Deferred income	0.2	0.6
<b>Accruals</b>	<u>48.9</u>	<u>19.9</u>

**17. Investment in subsidiaries**

	2021 £m	2020 £m
<b>Cost</b>		
At 1 January and 31 December	<u>4,862.6</u>	<u>4,862.6</u>
<b>Impairment</b>		
At 1 January and 31 December	<u>(990.7)</u>	<u>(990.7)</u>
<b>Carrying amount</b>		
At 31 December	<u>3,871.9</u>	<u>3,871.9</u>

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**PHOENIX LIFE HOLDINGS LIMITED**


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The subsidiaries of the Company at 31 December 2021 were as follows:

	Country of incorporation and principal place of operation	Class of shares held (wholly-owned unless otherwise indicated)
Pearl Group Holdings (No. 2) Limited ('PGH2L')	UK	Ordinary shares of 5p
Impala Holdings Limited ('IHL')		A Ordinary shares of £1
		B Ordinary shares of £1
		C Ordinary shares of £1
		D Ordinary shares of £1
Abbey Life Assurance Company Limited	UK	Ordinary shares of £1
Abbey Life Trustee Services Limited	UK	Ordinary shares of £1
Phoenix Group Management Services Limited	UK	Ordinary shares of £1

The financial statements of PGH2L and IHL contain listings of all material subsidiaries of those companies.

Where indicators of impairment have been identified the carrying value of the Company's investments in its subsidiaries has been tested for impairment at the period end. Following an assessment of the Company's investments in its subsidiaries, no provision for impairment has been made in the year (2020: £nil).

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

#### 18. Loans and receivables

	Carrying value		Fair value	
	2021 £m	2020 £m	2021 £m	2020 £m
Loans to Group companies at amortised cost:				
a) £205.0m loan facility	145.3	144.1	145.3	144.1
b) £198.8m loan facility	119.7	208.1	119.7	208.1
c) £32.0m loan facility	33.9	33.5	33.9	33.5
Total loans and receivables	<u>298.9</u>	<u>385.7</u>	<u>298.9</u>	<u>385.7</u>
Amounts due for settlement within 12 months	<u>298.9</u>	<u>-</u>		
Amounts due for settlement after 12 months	<u>-</u>	<u>385.7</u>		

- a) On 27 December 2017, the Company entered into a £205.0m loan facility with Pearl Group Holdings (No. 2) Limited ('PGH2L'). Under this facility, PGH2L may draw down up to £205.0m at an interest rate of compounded SONIA plus a margin of 1.0366% (2020: interest rate of LIBOR plus a margin of 0.6%). The loan facility has a maturity date of 31 December 2022.

Interest of £1.2m was capitalised during the year (2020: £1.8m).

- b) On 17 April 2018, the Company provided a £198.8m loan to PGH2L. Interest on the loan is at compounded SONIA plus a margin of 1.1966% (2020: six-month LIBOR plus a margin of 0.92%). The loan has a maturity date of 31 December 2022. During the year, PGH2L made a repayment of £90.0m to the Company (2020: £nil).

Interest of £1.6m was capitalised during the year (2020: £3.1m).

- c) On 23 March 2018, the Company provided a £32m loan to Pearl Life Holdings Limited. Interest on the loan is compounded SONIA plus a margin of 1.1966% (six-month LIBOR plus a margin of 0.92%). The loan has a maturity date of 31 December 2022.

Interest of £0.4m was capitalised during the year (2020: £0.5m).

No loans are considered to be past due or impaired.

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**PHOENIX LIFE HOLDINGS LIMITED**

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**Determination of fair value and fair value hierarchy of loans and receivables**

Loans and receivables are categorised as Level 3 financial instruments. The fair value of loans and receivables with no external market is determined by internally developed discounted cash flow models using a risk adjusted discount rate corroborated with external market data where possible.

There were no level 1 or level 2 loans and receivables in 2021 or 2020.

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

**19. Tax assets and liabilities**

	2021 £m	2020 £m
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**Deferred Tax**

The balances at 31 December comprise:

Deferred tax assets	4.1	-
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**Deferred tax assets comprise:**

	2021 £m	2020 £m
Tax losses carried forward	4.1	-
Net deferred tax assets	4.1	-

**Movement in deferred tax assets and liabilities:**

Year ended 31 December 2021

	1 Jan £m	Recognised in the income statement £m	Recognised in other comprehensive income £m	31 Dec £m
Tax losses carried forward	-	4.1	-	4.1
	-	4.1	-	4.1

Year ended 31 December 2020

	1 Jan £m	Recognised in the income statement £m	Recognised in other comprehensive income £m	31 Dec £m
Inter-group tax relief	-	-	-	-
	-	-	-	-

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

An increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget on 3 March 2021, and substantively enacted on 24 May 2021. Accordingly, deferred tax assets and liabilities, where provided, are reflected at rates between 19% and 25% depending on the expected timing of the reversal of the relevant temporary difference.

Subsequent to year end, an announcement was made reversing the previously announced increase in corporation tax from 19% to 25% from 1 April 2023. This change has not been substantively enacted at the balance sheet date, and as such has not been reflected on the balance sheet. The expected impact of this will be a decrease in the value of the deferred tax asset by £1m to £3.1m.

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**PHOENIX LIFE HOLDINGS LIMITED**

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**20. Accrued income**

	2021	2020
	£m	£m
Interest receivable on cross currency interest rate swaps	<u>29.5</u>	<u>-</u>

**21. Financial assets at fair value through profit or loss**

	2021	2020
	£m	£m
<i>Financial assets at fair value through profit or loss</i>		
Designated upon initial recognition		
Open ended investment companies	<u>72.3</u>	<u>95.0</u>

***Determination of fair value and fair value hierarchy of financial assets***

The open ended investment companies are categorised as Level 1 financial instruments. The fair value of Level 1 financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the period end. The quoted market price used for financial assets is the current bid price on the trade date. If the bid price is unavailable a 'last traded' approach is adopted. For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid values.

There were no level 2 or level 3 financial assets in 2021 or 2020.

**22. Cash and cash equivalents**

	2021	2020
	£m	£m
Bank and cash balances	<u>0.1</u>	<u>-</u>

The carrying amounts approximate to fair value at period end.

**23. Cash flows from operating activities**

	2021	2020
	£m	£m
(Loss)/profit for the year before tax	(76.5)	13.0
Adjustments to reconcile profit for the year to net cash inflow from operating activities in respect of:		
Interest expense on borrowings	77.1	85.2
Deferred income	(0.4)	(3.8)
Interest income on loans and receivables	45.6	30.2
Fair value losses on derivatives	-	(77.1)
Foreign exchange loss/(gain)	3.0	(11.1)
Change in operating assets and liabilities	(36.9)	109.6
Cash generated by operations	<u>11.9</u>	<u>146.0</u>

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**PHOENIX LIFE HOLDINGS LIMITED**


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**24. Capital and risk management**

The Company's capital comprises share capital and all reserves. The total capital of the Company at 31 December 2021 was £2,652.1m (2020: £2,713.1m). The movement in the period reflects the loss after taxation arising in the year of £61.0m (2020: profit after taxation of £10.5m).

There are no externally imposed capital requirements on the Company. The Company's capital is monitored by the Directors and managed on an on-going basis via a monthly close process to ensure that it remains positive at all times.

The principal risks and uncertainties facing the Company are:

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

An increase of 1% in interest rates, with all other variables held constant, would result in an increase in profit after tax in respect of a full financial year and in equity of £1.0m (2020: £0.4m). A decrease of 1% in interest rates, with all other variables held constant, would result in a decrease in profit after tax in respect of a full financial year and in equity of £1.0m (2020: £0.4m).

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

		1 year or less or on demand £m	1-5 years £m	Greater than 5 years £m	Total £m
2021	Borrowings	948.3	592.2	379.7	1,920.2
	Amounts owed to Group entities	187.4	-	-	187.4
	Obligation for repayment of collateral received	43.3	-	-	43.3
	Other payables	1.1	-	-	1.1
	Derivatives	3.1	22.9	13.1	39.1
2020	Borrowings	67.0	1,520.6	397.0	1,984.6
	Amounts owed to Group entities	184.1	-	-	184.1
	Other payables	1.1	-	-	1.1

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

*Credit risk management practices*

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

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

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

## PHOENIX LIFE HOLDINGS LIMITED

2021	Note	External credit rating	Internal credit rating	12m or lifetime ECL?	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Loans and receivables	18	N/A	Performing	12m ECL	298.9	-	298.9
Financial assets	21	AAA	Performing	12m ECL	72.3	-	72.3
Cash and cash equivalents	22	A+	Performing	12m ECL	0.1	-	0.1
Derivatives	14	A+	Performing	12m ECL	26.0	-	26.0
Derivatives	14	AA	Performing	12m ECL	13.1	-	13.1
Amounts owed by Group entities		A+	Performing	12m ECL	213.6	-	213.6
Amounts owed by Group entities		N/A	Performing	12m ECL	121.8	-	121.8
<b>2020</b>	<b>Note</b>	<b>External credit rating</b>	<b>Internal credit rating</b>	<b>12m or lifetime ECL?</b>	<b>Gross carrying amount £m</b>	<b>Loss allowance £m</b>	<b>Net carrying amount £m</b>
Loans and receivables	18	N/A	Performing	12m ECL	385.7	-	385.7
Financial assets	21	AAA	Performing	12m ECL	95.0	-	95.0
Amounts owed by Group entities		N/A	Performing	12m ECL	239.9	-	239.9

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.

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

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

**Cash and cash equivalents** – The Company's cash and cash equivalents are held with bank and financial institution counterparties, all of which have an investment grade credit rating. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and there being no history of default.

**Derivatives** – The Company's exposure to credit risk is mitigated by entering into collateral arrangements which are adjusted on a daily basis. Regular credit reviews of the counterparties to the derivatives are also undertaken.

**Other receivables** – The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty including historic loss experiences and current market conditions. The Company also reviews external ratings, if they are available, and financial statements.

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

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

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**PHOENIX LIFE HOLDINGS LIMITED**


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**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.

During the year, the Company received interest income from its ultimate parent of £23.9m (2020: £nil). The Company paid interest to its ultimate parent undertaking of £66.8m (2020: £68.3m) and its subsidiaries of £8.7m (2020: £15.2m).

**Amounts due to related parties**

	2021 £m	2020 £m
Loans due to ultimate parent	1,244.7	1,239.6
Loans due to subsidiary	434.7	434.7
Amounts due to subsidiaries	164.3	161.0
Amounts due to fellow subsidiaries	<u>23.1</u>	<u>23.1</u>

**Amounts due from related parties**

	2021 £m	2020 £m
Loans due from subsidiaries	265.0	352.2
Loans due from fellow subsidiaries	33.9	33.5
Amounts due from ultimate parent	202.2	209.3
Amounts due from fellow subsidiaries	<u>133.2</u>	<u>30.6</u>

**Key management compensation**

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 7.

**Parent and ultimate parent entity**

Information on the Company's parent and ultimate parent is given in note 28.

**26. Contingent liabilities**

The Company has agreed and undertakes to Pearl Group Holdings (No. 2) Limited ('PGH2L') that on written request from PGH2L, and to the extent that funds are not otherwise available to PGH2L to meet its liabilities, the Company shall either directly pay any debt or claim outstanding from PGH2L to any of its creditors or shall fund PGH2L in such manner as may be agreed to enable PGH2L to meet its obligations up to a maximum value of £205.0m. As at 31 December 2020, the Company has provided £138.4m to PGH2L under this support arrangement. During the year, the Company provided £nil (2020: £nil) to PGH2L under the above support arrangement, leaving the remaining support available to PGH2L at a maximum value of £66.6m.

Subsequent to the year-end, the Company has agreed to provide further letter of support to Impala Holdings Limited ('IHL') for £103.0m. The letter of support terminates on the earlier of 30 September 2023 or the date on which the financial statements for the year beginning 1 January 2022 are approved by the Board of IHL. This support is dependent on IHL remaining as a subsidiary of the Company. The Company has not provided any support under this arrangement.

**27. Events after the reporting date**

Subsequent to the year-end, PGH and the Company agreed to amendments to the terms of the loan advanced to the Company. Under the amendments to the loan, the maturity date for the loan was amended to 31 December 2027 and the margin on the loan was amended to compounded SONIA plus a margin of 1.2986%.

In addition, subsequent to year end, an announcement was made reversing the previously announced increase in corporation tax from 19% to 25% from 1 April 2023. This change has not been substantively enacted at the balance sheet date, and as such has not been reflected on the balance sheet. The expected impact of this will be a decrease in the value of the deferred tax asset by £1m to £3.1m.

**28. Other information**

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