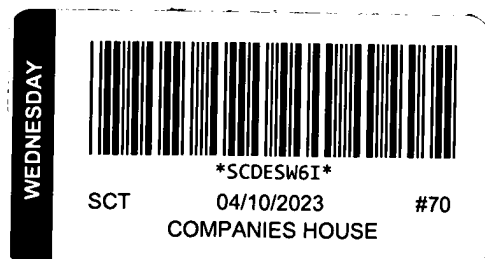


Standard Life Assets and Employee Services Limited

Scotland Registration Number: SC593510

Annual Report and Accounts for the year ended 31 December 2022



STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Contents

	Page
Strategic report	1
Directors' report	6
Statement of Directors' responsibilities	9
Independent Auditors' report to the members of Standard Life Assets and Employee Services Limited	10
Statement of comprehensive income for the year ended 31 December 2022	14
Statement of financial position as at 31 December 2022	15
Statement of cash flows for the year ended 31 December 2022	16
Statement of changes in equity for the year ended 31 December 2022	17
Notes to the financial statements	18

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Strategic report

The Directors present the strategic report, their report and the audited financial statements of Standard Life Assets and Employee Services Limited (the 'Company') for the year ended 31 December 2022.

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 principal risks and uncertainties the Company faces.

The financial statements of the Company for the year ended 31 December 2022 have been prepared in accordance with UK adopted international accounting standards and the requirements of the Companies Act 2006.

Business review***Principal activities***

The Company is a member of the Phoenix Group (the "Group").

The principal activity of the Company is predominantly the provision of management services, including governance and policy administration services, to the life assurance and group companies within the Group. The Company also provides support services, under Transitional Service Agreements to external parties in respect of operations that previously formed part of the abrdn plc group ('abrdn'). As part of a plan to consolidate the servicing activities of the Group, it is intended to transfer all these activities and all associated assets and liabilities out of the Company. These servicing activities will transfer out during the fourth quarter of 2023.

The Company is also party to a number of introducer contracts with external counterparties, which are operated within the Group. The provision of these services will be the primary activity of the Company from 1 October 2023 onwards.

Principal risks and uncertainties

The Company is exposed to a number of risks from its provision of services to the life assurance and group companies within the Group. The Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

The key risks to which the Company is exposed are expense risk, liquidity risk, VAT risk, credit risk, and MSA risk. Further information on risk management can be found in note 22.

Going Concern

The Directors have followed the UK Financial Reporting Council's 'Guidance on 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 period to 30 September 2024.

The Company has been provided with a support facility from its immediate parent undertaking Standard Life Assurance Limited ("SLAL"), via a capital support deed that is in place. Any support that may be provided by SLAL is limited to extent that funds are not otherwise available to the Company to meet its liabilities. The provision of such support has been included within the Company's own going concern assessment.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Key Performance Indicators ('KPIs')

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

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Profit before tax, profit after tax and total comprehensive income

As at 31 December 2022, the Company reported a loss before tax of £20,878k (2021: £4,721k), a loss after tax of £16,087k (2021: £3,192k) and total comprehensive loss of £16,094k (2021: £3,168k). The cost base in 2022 has increased more than the income received due to the terms of the current MSA contract, which in turn is driving the losses incurred.

Dividends

No dividends were paid in the current and preceding year.

Cash flows

Cash flows are monitored closely by the business to ensure that all liabilities can be met as they fall due. In 2022, cash and cash equivalents decreased by £23,455k (2021: decrease of £12,537k).

Employees

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race or disability. It is the Company's policy to give positive consideration to disabled persons with respect to applications for employment, training, career development and promotion, having regards to each individual's particular aptitudes and abilities.

Corporate activities

As part of the Group's programme to integrate the Standard Life Assurance business following its acquisition in 2018, the operating model was extended across the Group for services provided from the Service Companies to other Group entities. This included the implementation of a new Master Service Agreement between the acquired Service Company and the Life Companies commencing on 1 January 2020. The introduction of the new MSA transferred expense risk from the Life Companies to the Company, in line with the existing concepts. The MSA is priced on a per policy basis based on an end state operating model and policy volume as at 2023 and as such glidepath payments are being received to cover additional expenses over and above the end state.

In 2019, as part of the Group's programme to integrate the Standard Life Assurance business, the Group announced its intention to extend its strategic partnership with Tata Consultancy Services ('TCS') to support the Group's strategic ambition. As a result of this, a restructuring costs provision of £80,220k relating to severance and migration costs was recognised by the Company and envisaged to be incurred over the next 3 years. Since recognition, £33,464k of the severance cost provision has been utilised or released, with a balance of £46,756k remaining at 31 December 2022 (2021: £46,303k). These provision movements are included in note 21.

Climate change: activity in the year and future developments

Climate change is one of the greatest global challenges we face today and we believe the Company has a significant role to play in helping to address the climate emergency, accelerating the transition to a net zero economy and managing financial risk for our customers and shareholders. We aim to be a net zero business by 2050.

The Group has set an overarching target of being net zero carbon in our investment portfolio by 2050, in accordance with science-based targets. In 2022, we expanded our Scope 3 financed emission baseline to include sovereign debt and real estate assets. For the investment portfolio, we measured the absolute emissions and emissions intensity for our listed equity, listed credit, sovereign debt and real estate assets, the percentage of this portfolio exposed to high-carbon risk sectors and the fossil fuel industry; and the percentage of this portfolio aligned with science-based targets. We have committed to reach net zero across our Group by 2050 and we are committed to reach net zero in our direct operations

More information can be found in the Group's Annual Report and Accounts and standalone Sustainability Report in line with the Task Force on Climate-related Financial Disclosures recommendations

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Stakeholder Engagement

The Board considers the following key stakeholders:

Customers

The Group's core purpose is centered on its customers (existing and potential), helping them to secure a life of possibilities. Without its customers the Phoenix Group would not exist. The Board has paid due regard to the Group's customers and each paper presented to the Board must include consideration of any impact arising from proposals contained therein on customers.

Colleagues

Our colleagues glue our Group values together, working to achieve our strategic priorities in our pursuit of the Phoenix purpose.

Employment services are provided by the Group's Service Companies. Decisions likely to impact employees within the Phoenix Group are taken by the Board of Phoenix Group Holdings plc and its Board Committees. The Service Companies do not make decisions relating to employee remuneration.

Suppliers

The Group's suppliers, including service providers and partners, are key to our overall success and the achievement of the Group's strategic objectives. The relationships maintained with our suppliers, strategic or otherwise is of vital importance in our drive to achieve the Group's overall purpose. The Service Companies are principal leads on maintaining relationships with suppliers.

Communities

The Group's local communities and community partnerships enable our business to operate in regional areas across Europe. These communities comprise our colleagues, customers, suppliers and many other stakeholders. The Group understands the importance of building trust and inspiring confidence through community engagement and partnerships. The directors of the Company, by virtue of their positions within the Group are engaged with Group wide socially responsible activity. Further information about such activities can be found in the Phoenix Group Holdings plc annual report and accounts.

Government, trade bodies and regulators

Relationships with the Government, trade bodies and regulators is of vital importance, without which we could not provide services for our customers and utilise opportunities for growth. The Company is not regulated by the Financial Conduct Authority but is an Appointed Representative. It can carry out certain activities on behalf of another firm (its principal) that is regulated in the UK or another EEA country.

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

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

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

- The Phoenix Group customers;
- The Phoenix Group employees, whose services were engaged by the Company during the year;
- The Financial Conduct Authority, under whom the Company is an Appointed Representative;
- Its outsourced service providers; and
- The Company's immediate parent, Standard Life Assurance Limited, and ultimate parent, Phoenix Group Holdings plc.

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

KEY BOARD DECISION	
Deed of adherence for new overseas Group company employee pension arrangement	
STRATEGIC IMPORTANCE Optimising our in-force business Enhancing our operating model and culture	CONSIDERATION OF S172 MATTERS The Board considered a proposal in relation to the addition (adherence) of a new overseas Group company as an employer to the pension scheme (the "Scheme") in respect of which the Company was a participating employer. Likely consequences of any decisions in the long term In considering the proposal, the Board sought assurance over any additional liabilities the Company might incur as a consequence of approving the proposal, together with any commitments to be undertaken. It noted that the adherence of the new Group company to the Scheme was not expected to increase the Company's liabilities under the arrangement and that administrative costs were also not expected to increase under normal circumstances. Fostering business relationships with suppliers, customers and others By seeking to understand the additional liabilities and commitments under the proposed arrangement, the Board was able to balance the impact of approval on the Scheme's existing participants against the needs of Group colleagues employed by the new entity.
	OUTCOME Following due consideration of the matters set out in section 172, the Board approved the adherence of the new overseas entity as an employer to the Scheme.
KEY BOARD DECISION	
YE21 Annual Accounts	
STRATEGIC IMPORTANCE Optimising our in-force business	CONSIDERATION OF S172 MATTERS Likely consequences of any decisions in the long term As part of the year end accounts approval process, the Board considered whether the expectation that the Company would continue in operational existence for the foreseeable future was appropriate. Such consideration enabled the Board to reach a decision to approve the YE21 accounts, within which a going concern statement was included (relied upon by others assessing the business). The long-term impact of the decision to approve the YE21 accounts therefore included the potential reliance of those reading the accounts on the going concern statement, which the Board considered to be relevant and accurate. Maintaining a reputation for high standards of business conduct Prior to approving the YE21 accounts, the Board considered outputs from an external audit of the accounts. This review of the accounts by an independent third party provided additional assurance that the Company's reputation for high standards of business conduct was maintained, expected by all stakeholders.
	OUTCOME Following due consideration of the matters set out in section 172, the Board approved the YE21 accounts.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

KEY BOARD DECISION	Colleague Data Retention Standards
STRATEGIC IMPORTANCE	CONSIDERATION OF S172 MATTERS
Enhancing our operating model and culture	<p>The Board considered a proposal in relation Group-wide colleague data retention standards.</p> <p>Desirability of the company to maintain a reputation for high standards of business conduct</p> <p>In considering the proposal, the Board noted that it was aligned to Data Protection Legislation and designed to ensure that the Company remained compliant with the legislation and that harmony was achieved on the approach to data retention across the Group.</p> <p>Need to foster the company's business relationships with suppliers, customers and others</p> <p>Ahead of the Board approving the colleague data retention standards, the Board considered whether the proposal met the Financial Conduct Authority ("FCA") regulatory requirements for SMCR and training records. In ensuring compliance with the regulatory and legislative requirements, the Board was able to ensure that good relationships with the FCA, as well as the Office of Data Protection (the body responsible for overseeing compliance with Data Protection legislation), were maintained.</p>
OUTCOME	Following due consideration, the Board approved the colleague data retention standards.

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

DocuSigned by:

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 K Jones
 Director
 29 September 2023

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 December 2022.

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. Note 22 to the financial statements summarises the Company's risk objectives and policies together with its financial risks.

The Directors have followed the UK Financial Reporting Council's 'Guidance on 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 period to 30 September 2024.

The Company was provided with a letter of support ("LoS") from its immediate parent undertaking, Standard Life Assurance Limited ("SLAL"). Any support that may be provided by SLAL is limited to extent that funds are not otherwise available to the Company to meet its liabilities. The provision of such support has been included within the Company's own going concern assessment.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Statement on business relationships***Business relationships with customers***

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

Business relationships with Partners/Suppliers

The Service Companies within the Group, of which the Company is one, are the principal leads on maintaining relationships with suppliers. The Company's Board has oversight of the relationship with strategic partners and outsourced service providers ('OSPs').

Employee Engagement Statement

Employment services are provided by the Service Companies. Decisions likely to impact employees within the Phoenix Group are taken by the Phoenix Group Holdings plc Board and its Committees.

The Service Companies do not make decisions relating to employee remuneration. Decisions are deferred to the Phoenix Group Holdings Plc Remuneration Committee.

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.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

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:

S Buckle	Appointed 1 July 2023
K Jones	Appointed 1 January 2023
A Kassimiotis	Resigned 31 December 2022
J Noakes	Appointed 25 November 2022
R Seaman	Resigned 30 June 2023
W Swift	Resigned 31 December 2022
R Thakrar	Appointed 1 January 2023
S Thompson	Appointed 1 January 2023

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 he/she ought to have taken as a Director to make himself/herself 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.

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.

Statement of Corporate Governance Arrangements


The Company's ultimate parent, Phoenix Group Holdings plc is listed on the UK's main market and accordingly complies with the UK Corporate Governance Code 2018 (the 'Code'). The Company does not apply the Code but has established a governance framework which enables the Company to adopt the Wates Corporate Governance Principles for Large Private Companies 2018 (the 'Principles'). The following statement demonstrates how the Company has applied the Principles. This is reviewed and challenged by the Board at least annually.

The Principles	The Company's application of the Principles
<p>Principle One: Purpose and Leadership</p> <p>An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.</p>	<p>The Company's purpose, values, strategy and culture are aligned with those of its ultimate parent company, Phoenix Group Holdings plc. The Board has worked to support this during the year ended 31 December 2022.</p>
<p>Principle Two: Board Composition</p> <p>Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<p>From a governance perspective, Board composition was adjusted during the year, thereby addressing a cross-directorship between the Company and its ultimate parent, Phoenix Group Holdings plc.</p> <p>The Board is an appropriate size given the scale and complexity of the Company, particularly as the Company's ultimate parent (Phoenix Group Holdings plc) and the Life Companies Board provide oversight of the Company's activities.</p>

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

<p>Principle Three: Director Responsibilities</p> <p>The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge.</p>	<p>The Board has a governance structure in place with clear reporting lines to the Life Companies Board. Matters Reserved to the Board are clearly set out in the Board's Charter. Board meetings, as evidenced through the Board Minutes produced, are an open forum for directors to be robust and challenge the proposals presented.</p>
<p>Principle Four: Opportunity and Risk</p> <p>A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks</p>	<p>The Board has considered opportunities for value creation and preservation in accordance with risk appetite and long term strategy set by the Life Companies Board and the Company's ultimate parent company board.</p> <p>Both the Group Head of Internal Audit and Chief Risk Officer have access to the Board to raise any concerns directly.</p> <p>The operation of a three lines of defence model within the Company ensures that there is appropriate oversight, not only from the individual business unit, but also from 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.</p>
<p>Principle Five: Remuneration</p> <p>A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.</p>	<p>During the year ended 31 December 2022, the remuneration of directors and senior managers was set and controlled by the Company's ultimate parent, Phoenix Group Holdings plc.</p>
<p>Principle Six: Stakeholder Relationships and Engagement</p> <p>Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	<p>Governance structures and reporting lines are in place to enable feedback between the Company and its stakeholders by way of Group-wide policies and procedures to engage with the workforce, customers, suppliers, regulators and other key stakeholders.</p> <p>The activities of the Board in respect of relationships and engagement with the Company's stakeholders are described in the Stakeholder Engagement section of the Strategic Report.</p>

On behalf of the Board

DocuSigned by:

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K Jones
 Director
 29 September 2023

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

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 the financial 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 accounting standards 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 UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- 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.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED
Opinion

We have audited the financial statements of Standard Life Assets and Employee Services Limited for the year ended 31 December 2022 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 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 2022 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. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the Company's financial close process, we confirmed our understanding of management's Going Concern assessment process and also engaged with management early to ensure all key factors were considered in their assessment.
- In our assessment of going concern, we have identified that the Company is dependent on support from its immediate parent Company, Standard Life Assurance Limited ("SLAL"), to be able to meet its current liabilities. For the financial year ended 31 December 2022, there is a signed capital support deed in place requiring SLAL to support SLAESL throughout the going concern period from both a net asset and liquidity perspective. In turn, SLAL shall receive capital support from Phoenix Group Holdings plc (PGHP), its ultimate parent. There are no indications that PGHP will not be able to meet its commitments under the support arrangement to provide the Capital support amount to SLAL when required.
- The Company's business model is relatively simple in nature, operating as a service organisation to a Life Company within the Phoenix Group and generating revenue by recharging underlying expenses it pays on behalf of the Life Company. Management uses an internal Annual Operating Plan (AOP) to support its going concern assessment. Following its preparation, the AOP is subject to Board level review and approval, demonstrating the Boards governance and oversight processes over this document.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

- We obtained management's going concern assessment, which considers a period to 30 September 2024. We have obtained management's AOP and determined that the forecasts are appropriate to enable management to make an assessment. In addition, management has modelled a number of adverse scenarios in their cashflow forecasts in order to incorporate unexpected changes to the forecasted cashflow.
- We have evaluated the calculations and assumptions included in each scenario within the cashflow forecast. We considered the appropriateness of the methods used to calculate the cashflow forecasts and determined through inspection and recalculation that the methods used were appropriate to be able to make an assessment for the Company.
- We reviewed the going concern disclosures included in the strategic report in order to assess that the disclosures were appropriate and in conformity with reporting standards.

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 2024.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and the Companies Act 2006) and the relevant direct tax regulation in the United Kingdom. In addition, the Company is required to comply with laws and regulations relating to its operations, including health and safety, employees, anti-bribery and corruption and General Data Protection Regulation ('GDPR').
- We understood how the Company is complying with those frameworks by making 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.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making inquiry of those charged with governance, 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.

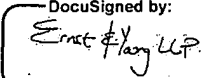
STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

- 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 hybrid-working environment; and how management monitors these controls. We identified the risk of material fraud related to management override of controls and by assuming accounting provisions to be fraud risks. We evaluated the appropriateness of management's assumptions in estimating provisions and appropriateness of journal entries recorded in the general ledger and evaluated the business rationale for significant and/or unusual transactions.

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

Use of our report

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

DocuSigned by:

F29BA72B705B47E...
Satty Khangura (Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

29 September 2023

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

**Statement of comprehensive income
for the year ended 31 December 2022**

	Notes	2022 £000	2021 £000
Revenue			
Fees and commission	3	604,486	379,619
Net investment income		325	(34)
Total revenue		<u>604,811</u>	<u>379,585</u>
Total income		<u>604,811</u>	<u>379,585</u>
Administrative expenses	4	(624,525)	(383,009)
Finance costs	8	(1,164)	(1,297)
Total administrative expenses		<u>(625,689)</u>	<u>(384,306)</u>
Loss for the year before tax		(20,878)	(4,721)
Tax credit	9	4,791	1,529
Loss for the year attributable to owners		<u>(16,087)</u>	<u>(3,192)</u>
Other comprehensive income:			
Exchange differences on translating foreign operations		(7)	24
Total comprehensive loss for the year attributable to owners		<u><u>(16,094)</u></u>	<u><u>(3,168)</u></u>

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

**Statement of financial position
as at 31 December 2022**

		As at 31 December 2022 £000	As at 31 December 2021 £000
	Notes		
Assets			
Intangible assets	10	-	117
Property, plant and equipment	11	52,889	59,905
Current tax assets	12	-	345
Deferred tax assets	12	9,375	4,533
Other receivables	13	243,772	104,942
Other assets	14	3,653	9,048
Cash and cash equivalents	15	8,796	32,251
Total assets		318,485	211,141
Equity			
Share capital	16	13,500	13,500
Other reserves	17	(1,279)	(1,272)
Retained earnings		(14,523)	1,765
Total equity		(2,302)	13,993
Liabilities			
Current tax liabilities	12	188	-
Other financial liabilities	18	199,006	74,826
Lease liabilities	19	41,371	46,732
Other liabilities	20	8,356	5,532
Provisions	21	71,866	70,058
Total liabilities		320,787	197,148
Total equity and liabilities		318,485	211,141

The financial statements on pages 14 to 41 were approved by the Board of Directors on [xx] September 2023 and signed on its behalf by

On behalf of the Board

DocuSigned by:

 CFA3AE5D631243D...
 K Jones
 Director
 29 September 2023

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

**Statement of cash flows
for the year ended 31 December 2022**

	Notes	2022 £000	2021 £000
Cash flows from operating activities			
Cash utilised by operations	23	(13,355)	(8,799)
Taxation paid		(608)	(313)
Net cash flows from operating activities		(13,963)	(9,112)
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(2,915)	(4,832)
Net cash flows from investing activities		(2,915)	(4,832)
Cash flows from financing activities			
Issuance of share capital		-	8,500
Payment of lease liability	19	(6,928)	(7,003)
Net cash flows from financing activities		(6,928)	1,497
Net decrease in cash and cash equivalents		(23,806)	(12,447)
Cash and cash equivalents at the beginning of the year		32,251	44,788
Effect of foreign exchange rate changes on cash and cash equivalents		351	(90)
Cash and cash equivalents at the end of the year	15	8,796	32,251

Supplementary disclosures on cash flow from financing activities

	2022 £000	2021 £000
Interest received	325	(34)

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

**Statement of changes in equity
for the year ended 31 December 2022**

	Note	Share capital (note 16) £000	Retained earnings £000	Other reserves (note 17) £000	Total £000
At 1 January 2022		13,500	1,765	(1,272)	13,993
Loss for the year		-	(16,087)	-	(16,087)
Other comprehensive loss for the year		-	-	(7)	(7)
Total comprehensive loss for the year			(16,087)	(7)	(16,094)
Deferred tax charge on share schemes	12	-	(212)	-	(212)
Current tax credit on share schemes		-	11	-	11
At 31 December 2022		13,500	(14,523)	(1,279)	(2,302)

		Share capital (note 16) £000	Retained earnings £000	Other reserves (note 17) £000	Total £000
At 1 January 2021		5,000	5,033	(1,296)	8,737
Loss for the year		-	(3,192)	-	(3,192)
Other comprehensive income for the year		-	-	24	24
Total comprehensive (loss) / income for the year			(3,192)	24	(3,168)
Capital increase		8,500	-	-	8,500
Deferred tax charge on share schemes	12	-	(76)	-	(76)
At 31 December 2021		13,500	1,765	(1,272)	13,993

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

1. Accounting policies**(a) Basis of preparation**

The financial statements for the year ended 31 December 2022, set out on pages 14 to 41, were authorised by the Board of Directors for issue on 4 September 2023.

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

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 Directors have followed the UK Financial Reporting Council's 'Guidance on 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 period to 30 September 2024.

As part of a plan to consolidate the servicing activities of the Group, it is intended to transfer all these activities and all associated assets and liabilities out of the Company. These servicing activities will transfer out during the fourth quarter of 2023. The Company will retain the activities associated with the provision of support services under Transitional Service Agreements, and introducer contracts with external counterparties.

The Company has been provided with a support facility from its immediate parent undertaking Standard Life Assurance Limited ("SLAL"), via a capital support deed that is in place. Any support that may be provided by SLAL is limited to extent that funds are not otherwise available to the Company to meet its liabilities. The provision of such support has been included within the Company's own going concern assessment.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 30 September 2024. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 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 £000 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 statement of comprehensive income unless required or permitted by an IFRS or interpretation, as specifically disclosed in the accounting policies of the Company.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

(b) Changes to accounting policies

All accounting policies applied in these financial statements are the same as those applied in the last annual financial statements.

A number of new standards are effective from 1 January 2022 but they do not have a material effect on the Company's financial statements (see note 2).

(c) 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.

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 income taxes, recognition of provisions, assets whose carrying value is subject to impairment testing, impairment of financial assets and share-based payments.

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 (n).

Provisions

The accounting policy for provisions is discussed in accounting policy (s).

Impairment of financial assets

The impairment provisions for financial assets disclosed in note (l) 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 note (h).

Share-based payments

The accounting policy for share-based payments is discussed in accounting policy (p).

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.

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.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Assets whose carrying value is subject to impairment testing

Determination of the recoverable amount is a critical accounting estimate in relation to the impairment of non-financial assets. These assets are subject to impairment reviews where indicators of impairment are identified. Impairments of non-financial assets are measured at the difference between the carrying value of the particular asset and its estimated recoverable amount. Impairments are recognised in the statement of comprehensive income in the period in which they occur. The accounting policy is discussed in accounting policy (h), (i) and (l).

(d) Foreign currency translation

The financial statements are presented in thousands pounds Sterling, which is the Company's functional and presentation currency.

The statement of financial position of the Company's Irish branch, which has a different functional currency than the Company's presentational currency is translated into the presentation currency at the year/period-end exchange rates and the income statement and cash flows are translated at average exchange for the year/period. All resulting exchange differences are recognised in the statement of comprehensive income and the foreign currency translation reserve in equity.

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year/period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Income recognition***Revenue from contracts with customers***

Revenue represents amounts charged to customers in respect of the provision of use of physical infrastructure and associated support services. The Company incurs expenses on behalf of other Phoenix Group companies and are recharged the cost in the month that the expenses are incurred. Revenue from third party customers are recognised in the month that the services are provided.

Revenue from contracts with customers is stated net of value added tax.

Fee and commission income

Following the commencement of the Master Services Agreement (MSA) on 1 January 2020 fee and commission income now relates to the following:

- policy administration fees, which are recognised as the services are provided;
- Project fees
- Pass through fees
- Corporate fees
- other fees, which are recognised as the services are provided.

Net investment income

Net investment income comprises interest on cash and cash equivalents.

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

(f) Administrative expenses

Administrative expenses are recognised on an accruals basis.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

(g) Finance costs

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

(h) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment indicators whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, at least at each reporting date. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets which have been impaired are reviewed for possible reversal of impairment losses at each reporting date.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

(i) Intangible assets

Intangible assets, including internally developed software and software purchased from third parties, are recognised in the statement of financial position if it is probable that the relevant future economic benefits attributable to the assets will flow to the Company and their cost can be measured reliably and are either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or they arise from contractual or other legal rights, regardless of whether those rights are transferable or separable.

Intangible assets are assessed for impairment at each reporting date. An assessment is made as to whether there is an indication that the intangible asset has become impaired. If such an indication of impairment exists then the asset's recoverable amount is estimated. Irrespective of whether there is any indication of impairment, for intangible assets that are not yet available for use the recoverable amount is estimated each year at the same time. If the carrying value of an intangible asset exceeds its recoverable amount then the carrying value is written down to the recoverable amount.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of between 3 and 10 years of the intangible asset. Impairment losses are calculated and recorded on an individual basis. Amortisation commences at the time from which an intangible asset is available for use.

The Company also recognises as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing our business. Costs to develop software internally are capitalised after the research phase and when it has been established that the project is technically feasible and the Company has both the intention and ability to use the completed asset.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Cost includes the original purchase price of the assets and the costs attributable to bring the asset to its working condition for its intended use. Depreciation on property, plant and equipment is charged to the income statement using the straight-line basis over the following estimated useful lives:

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

As of 1 January 2022:

Right of use asset	2 – 13 years based on lease term
Tenant's improvements	5 – 15 years
Computer hardware	2 – 6 years
Furniture and fittings	2 – 10 years
Machinery and equipment	4 – 15 years

The residual values and useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.

(k) Financial instruments

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 13 Other receivables and Note 15 Cash and cash equivalents.

(l) Impairment of financial assets

The Company assesses the expected credit losses associated with its loans and receivables, 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 as these are always measured at an amount equal to lifetime ECLs. See Note 22 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.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

(m) 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.

(n) Income tax

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

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

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

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.

(o) Employee benefits***Defined contribution plans***

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans. The contributions are recognised in staff costs and other employee-related costs when they are due.

The Company has operated a defined contribution plans where the Company agreed to contribute to a member's pension plans but has no further payment obligations once the contributions have been paid.

(p) Expense recognition***Share-based payments***

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on Phoenix Group Holdings PLC's estimate of equity instruments that will eventually vest. At each period end, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is charged or credited to equity.

Finance costs

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

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

(q) Equity - share capital***Ordinary share capital***

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. An instrument is classified as an equity instrument when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in the share premium reserve. Incremental costs directly attributable to the issue of new equity instruments are shown as a deduction from the proceeds, net of tax.

(r) Leases

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

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

This policy applies to contracts entered into or amended after 1 January 2019.

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

Under IFRS 16 an exemption permits that right-of-use assets and lease liabilities do not need to be recognised in respect of short term leases of property that have a lease term of 12 months or less or for leases of low value assets, including IT equipment. *The Company has applied this exemption and recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.*

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

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

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

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(s) 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 as a result of a past event 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.

Contingent liabilities are possible obligations of the Company of which timing and amount are subject to significant uncertainty. Contingent liabilities are not recognised on the statement of financial position but are disclosed, unless they are considered remote. If such an obligation becomes probable and the amount can be measured reliably it is no longer considered contingent and is recognised as a liability. Contingent assets are disclosed if the inflow of economic benefits is probable, but not virtually certain.

(t) Business combinations outside the scope of IFRS 3 *Business Combinations*

The Company accounts for business combinations that involve other entities in the Phoenix Group and are outside the scope of IFRS 3 *Business Combinations* using merger accounting principles. Under the principles of merger accounting assets and liabilities transferred to a new entity are recorded in the new entity at the carrying value they were measured at by the transferor. No goodwill is recognised as a result of such transactions. The difference between the acquired net assets and the consideration paid is recognised directly in equity.

2. Financial Information

In preparing the financial statements, the Company has adopted the following amendments effective from 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37): The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract should include all costs that relate directly to the contract. Such costs should include: the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling contract.
- Reference to the Conceptual Framework (Amendments to IFRS 3): In addition to updating references to the conceptual framework within IFRS 3, the amendments also add a requirement for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets to determine whether at the acquisition date a present obligation exists as a result of past events.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Such sales proceeds and related costs are recognised in profit or loss; and
- Annual Improvements (2018–2020 Cycle):
 - Subsidiary as a First-time Adopter (Amendments to IFRS 1);
 - Fees in the '10 per cent' Test for De-recognition of Financial Liabilities (Amendments to IFRS 9);
 - Lease Incentives (Amendments to IFRS 16); and
 - Taxation in Fair Value Measurements (Amendments to IAS 41).

None of the above amendments to standards are considered to have a material effect on these financial statements.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

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

- **Classification of Liabilities as Current and Non-current (Amendments to IAS 1 Presentation of Financial Statements) (1 January 2024):** The amendments clarify rather than change existing requirements and aim to assist entities in determining whether debt and other liabilities with an uncertain settlement date should be classed as current or non-current. It is currently not expected that there will be any reclassifications as a result of this clarification.
- **Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) (1 January 2023):** The amendments are intended to assist entities in deciding which accounting policies to disclose in their financial statements and requires an entity to disclose 'material accounting policy information' instead of its 'significant accounting policies'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. These amendments are not expected to have any impact on the Company.
- **Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) (1 January 2023):** The amendments replace the definition of a 'change in accounting estimates' with a definition of 'accounting estimates'. Under the new definition, accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The Board has retained the concept of changes in accounting estimates in the Standard by including a number of clarifications. These amendments are not expected to have any impact on the Company.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) (1 January 2023):** The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The IASB expects that the amendments will reduce diversity in reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognising deferred tax for temporary differences. There will potentially be some additional disclosures required in relation to the Company's leasing arrangements as a result of implementing these amendments.
- **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases) (1 January 2024):** The amendments relate to how a seller-lessee accounts for variable lease payments that arise in a sale and leaseback transaction. On initial recognition, the seller-lessee is required to include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction. After initial recognition, they are required to apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognised. Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation. These amendments are not expected to have any impact on the Company.

On 31 January 2020, the UK left the EU and effective from 1 January 2021, the European Commission no longer endorses IFRSs for use in the UK. UK legislation provides that all IFRSs that had been endorsed by the EU on or before the 31 December 2020 became UK-adopted international accounting standards. New or amended IFRSs are now endorsed by the UK Endorsement Board following delegation of powers to endorse and adopt IFRSs for the UK by the Secretary of State in May 2021.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

The following amendments to standards listed above have been endorsed for use in the UK by the UK Endorsement Board:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

3. Fees and commission

	2022	2021
	£'000	£'000
Policy administration fees	195,715	204,289
Project fees	243,505	83,718
Pass through fees	4,574	16,260
Corporate fees	65,448	24,338
Other fees	95,244	51,014
Total fees and commission	604,486	379,619

4. Administrative expenses

	2022	2021
	£'000	£'000
	Notes	
Employee costs	5	259,838
Auditors' remuneration	7	95
Amortisation of intangible assets	10	117
Depreciation of property, plant and equipment	11	10,073
Change in provisions	21	1,808
Foreign exchange differences		86
Contractor and other staff related costs		125,800
IT and communication costs		55,778
Professional fees		123,912
Other administrative expenses		47,018
Total administrative expenses		624,525
		383,009

Staff costs and overheads are allocated between the Company and fellow subsidiaries, Phoenix Group Management Services Limited and Pearl Group Services Limited.

Included in Other administrative expenses are Recharges of £10,795k (2021: credit of £19,008k) incurred with fellow companies.

5. Employee costs

	2022	2021
	£'000	£'000
	Notes	
Aggregate remuneration payable in respect of employees:		
Wages and salaries		213,677
Social security costs		21,473
Defined contribution scheme		21,245
Employee share-based payments	24	3,443
Total staff costs and other employee related costs	4	259,838
		203,224

The employees of the Company and other companies within the Phoenix Group are members of defined contribution pension schemes operated by Phoenix for its employees in the United Kingdom and the Republic of Ireland. Contributions to defined contribution plans were expensed when employees had rendered services in exchange for such contributions, generally in the year of contribution.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

	2022	2021
The average number of staff employed by the Company during the year:		
UK	3,145	3,065
Europe	384	393
Total average number of staff employed	3,529	3,458

6. Directors Remuneration

	2022 £'000	2021 £'000
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	235	202
Share-based payments	114	126
Contributions to money purchase pension schemes	6	6
	2022	2021
Number of Directors who:		
- are members of a money purchase pension scheme	4	4
- have exercised share options during the year	3	4
	2022 £'000	2021 £'000
Highest paid Director's remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	124	91
Share-based payments	75	74
Contributions to money purchase pension schemes	1	1

The highest paid director has exercised share options during the year. The Directors are employed by either the Company or PGMS or PGS, fellow subsidiaries. The total compensation paid to the Directors of the Company relates to services to the Company, regardless of which entity within the Phoenix Group has paid the compensation.

During the year to 31 December 2022 key management personnel and their close family members contributed £51k to pensions and savings products sold by the Group and transferred out £nil of investments.

At 31 December 2022, the total value of their investments in Group pensions and savings products was £14k.

7. Auditors' remuneration

Auditors' remuneration amounted to £95k (2021: £85k) in respect of the audit of the Company's financial statements.

8. Finance costs

	Notes	2022 £'000	2021 £'000
Interest expense:			
Lease liabilities	19	1,164	1,297
Total finance costs		1,164	1,297

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

9. Tax credit

(a) Current year tax credit

	2022 £'000	2021 £'000
Current tax:		
United Kingdom	-	453
Overseas	186	349
Adjustment in respect of prior periods	76	652
Total current tax	262	1,454
Deferred tax:		
Origination and reversal of temporary differences	(3,540)	(960)
Change in rate of UK Corporation Tax	(1,371)	(1,119)
Adjustment in respect of prior periods	(142)	(904)
Total deferred tax	(5,053)	(2,983)
Total tax credit	(4,791)	(1,529)

(b) Reconciliation of tax credit

	2022 £'000	2021 £'000
Loss before tax	(20,878)	(4,721)
Tax (credit) / charge at 19% (2021: 19%)	(3,967)	(898)
Permanent differences	613	738
Adjusted in respect of prior periods	(66)	(465)
Changes in UK tax rates	(1,371)	(904)
Total tax credit for the year	(4,791)	(1,529)

10. Intangible assets

	Notes	Internally developed software £'000	Acquired software £'000	Total £'000
Cost				
At 1 January 2022		28,198	1,115	29,313
At 31 December 2022		28,198	1,115	29,313
Accumulated amortisation				
At January 2022		(28,118)	(1,078)	(29,196)
Amortisation charge for the year	4	(80)	(37)	(117)
At 31 December 2022		(28,198)	(1,115)	(29,313)
Carrying amount				
At 1 January 2022		80	37	117
At 31 December 2022		-	-	-

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

11. Property, plant and equipment

Notes	Right of use asset £'000	Tenant's improve- ments £'000	Computer hardware £'000	Furniture and fittings £'000	Machinery and equipment £'000	Total £'000
Cost						
At 1 January 2022	63,760	15,451	15,932	1,625	3,548	100,316
Additions	-	1,183	-	1,088	644	2,915
Foreign exchange adjustment	142	-	-	-	-	142
At 31 December 2022	63,902	16,634	15,932	2,713	4,192	103,373
Accumulated depreciation						
At 1 January 2022	(18,809)	(6,797)	(11,275)	(1,145)	(2,385)	(40,411)
Depreciation charge for the year 4	(6,088)	(1,352)	(1,847)	(348)	(438)	(10,073)
At 31 December 2022	(24,897)	(8,149)	(13,122)	(1,493)	(2,823)	(50,484)
Carrying amount						
At 1 January 2022	44,951	8,654	4,657	480	1,163	59,905
At 31 December 2022	39,005	8,485	2,810	1,220	1,369	52,889

12. Tax assets and liabilities

	2022 £'000	2021 £'000
Deferred tax assets	9,375	4,533
Total tax assets	9,375	4,533
Current tax (liabilities)/ assets	(188)	345
Total tax (liabilities)/ assets	(188)	345

There are no current tax assets or liabilities expected to be recoverable or payable after more than 12 months (2021: £nil).

(a) Current tax

	2022 £'000	2021 £'000
UK	-	-
Overseas	(188)	345
Current tax (payable)/ receivable	(188)	345

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

(b) Deferred tax

	2022 £'000	2021 £'000
Deferred tax assets comprise:		
Losses	3,962	-
Timing differences on property, plant and equipment	3,831	3,217
Employee benefits	1,365	1,316
Provisions and other timing differences	217	-
Total deferred tax assets	9,375	4,533
Movements in deferred tax assets comprise:		
At 1 January	4,533	1,628
Amounts recognised in the income statement	5,053	2,983
Amounts recognised in equity	(212)	(76)
FX Translation	1	(2)
At 31 December	9,375	4,533

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

13. Other receivables

	Notes	2022 £'000	2021 £'000
Amounts due from related parties	25	241,038	104,087
Loans to employees		57	55
Other		2,677	800
Total receivables and other financial assets		243,772	104,942

All receivables and other financial assets are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the year end. No interest is applied to receivables and other financial assets. Payment terms are between 30 and 90 days and the Company has established loss rate of 0% as there have been zero losses or impairment balances since it began trading. Therefore, no loss allowance or impairment provision has been recognised.

14. Other assets

	2022 £'000	2021 £'000
Prepayments and accrued income	3,653	9,048
Total other assets	3,653	9,048

All other assets are interest free and expected to be settled within 12 months.

15. Cash and cash equivalents

Cash and cash equivalents of £8,796k (2021: £32,251k) comprises cash held at bank and is interest bearing.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

16. Share capital

The allotted, issued and paid up share capital of the Company at the 31 December 2022 was:

	2022 Number	2022 £'000	2021 Number	2021 £'000
Ordinary shares at £1 each:	13,500,001	13,500	13,500,001	13,500
Total	13,500,001	13,500	13,500,001	13,500

17. Other reserves

Included within other reserves is a merger reserve of £1,284k (2021: £1,284k) recognised in accordance with accounting policy (t).

In addition, included within other reserves is a cumulative foreign exchange reserve loss amounting to £5k (2021: £12k) recognised on translation of the Company's Irish branch, that provides services to Standard Life International Designated Activity Company.

18. Other financial liabilities

	Notes	2022 £'000	2021 £'000
Amounts payables to suppliers		4,776	6,401
Amounts due to related parties	25	132,096	38
Accruals		62,134	68,387
Total other financial liabilities		199,006	74,826

Other financial liabilities are interest free and expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the end of the year.

19. Lease liabilities

	2022 £'000	2021 £'000
As at 1 January	46,732	52,893
Additions	-	2,744
Interest on lease liabilities	1,164	1,297
Remeasurements	273	(3,147)
Lease payments	(6,928)	(7,003)
Foreign exchange adjustment	130	(52)
Lease liabilities as at 31 December	41,371	46,732

Lease liabilities primarily relate to property leases in respect of Standard Life House, Edinburgh and Glenogle Road Edinburgh and St Stephen's Green, Ireland. The properties are currently occupied by the Phoenix Group. Leases expire in July 2031, September 2024 and September 2023 respectively, they all include 10 year extension clauses. Lease liabilities of £35,533k are due after 12 months.

The Company has elected not to apply the measurement requirements of IFRS 16 to its low value leases and as such costs of these leases are recognised on a straight-line basis as expense within administrative expenses. The expense for the year was £nil.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

The principal cash outflow for leases for the year ended 31 December 2022 is £5,764k (2021: 5,706k) and interest amounted to £1,164k (2021: £1,297k).

The table below sets out the contractual undiscounted cash flows for those leases where a lease liability has been recognised.

	2022	2021
	£'000	£'000
Not later than 1 year	6,834	6,956
Later than 1 year and not more than 5 years	21,049	22,779
Later than 5 years	17,710	22,793
Total contractual undiscounted lease payments	45,593	52,528

20. Other liabilities

	Notes	2022	2021
		£'000	£'000
Group relief	25	2,685	803
Other		5,671	4,729
Total other liabilities		8,356	5,532

Other liabilities are expected to be settled within 12 months. The carrying amounts disclosed above reasonably approximate the fair values at the end of the year. No interest is applied to other liabilities.

21. Provisions

The movement in provisions during the year was as follows:

	Transition and transformation	Value Added Tax	Dilapidations	Total
	£'000	£'000	£'000	£'000
At 1 January 2022	46,303	17,461	6,294	70,058
Additions in the year	7,309	-	1,355	8,664
Amounts used in the year	(6,856)	-	-	(6,856)
At 31 December 2022	46,756	17,461	7,649	71,866

Following the acquisition by the Phoenix Group in August 2018, the Phoenix Group established a transition and transformation programme which aims to deliver the integration of the Phoenix Group's operating models via a series of phases. The Phoenix Group has announced its intention to extend its strategic partnership with TCS to provide customer servicing, to develop a digital platform and for migration of existing Standard Life policies to this platform by 2024 which raised a valid expectation of the impacts in those likely to be affected. It was envisaged that costs will be incurred by the Company over a 3 year period and will include migration costs, severance costs and other expenses this is now likely to end in 2024. This utilisation of severance costs during the year amounted to £6,856k and the provision now stands at £46,756k. The severance costs are subject to uncertainty and will be impacted by the number of staff that transfer to TCS, and the average salaries and number of years' service of those affected. These costs are recovered from a fellow Group company.

Phoenix are in negotiations with HMRC with regard to changes to the Partial Exemption Special Method (PESM) necessitated by the addition of the Standard Life entities to the VAT group. The provision reflects the fact that whilst Phoenix considers its proposal for the recovery of VAT on costs incurred by SLAESL to be fair and reasonable, the revised PESH remains to be agreed and HMRC may take a different view.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Dilapidations

Standard Life Assets and Employee Services Limited ("SLAESL") holds leases over Standard Life House, St Stephen's Green and the Glenogle Road data centre. These leases include provisions that require SLAESL to return the properties to their initial condition. The provision is based upon best estimates in respect of market conditions, this was increased in year due to increasing costs of materials.

22. Risk management**Risk management*****Liquidity risk***

The Company has exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements and this is monitored on an ongoing basis.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis.

Expense risk

The Company carries the risk of reducing its expenses in line with fee income from per policy based management services agreements.

To mitigate expense risk the company outsources policy administration services for a per policy based fee. The total cost of outsourced policy administration runs off in line with policy run off. The Company manages incremental expense risk through a focus on cost reduction initiatives across the business as a part of the annual operating plan.

VAT risk

Decisions of the Court of Justice of the European Union ("CJEU") meant that VAT would have likely become due on certain Outsourcer fees, such as claims handling/policy administrations services, in the absence of the UK's decision to leave the European Union ("EU"). This would give rise to additional expenses for the business.

After 31 December 2020 UK courts can now depart from judgements of the CJEU and it is felt unlikely that VAT will now be imposed on Outsourcer fees on the basis of EU case law. The risk cannot be said to have subsided completely, however, as the UK Government could legislate to impose VAT unilaterally, although no Government in recent times has indicated any wish to restrict the relevant VAT exemption in accordance with the CJEU judgements.

Credit risk

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.

Credit risk management practices

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

STANDARD LIFE ASSETS AND EMPLOYEE SER

Category	Description	Basis for
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 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:

31 December 2022	Notes	External credit rating	Internal credit rating	12 month ECL or lifetime ECL?	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
Receivables and other financial assets							
Due from related parties	13	N/A	Performing	Lifetime ECL	241,038	-	241,038
Loans to employees	13	N/A	Performing	Lifetime ECL ¹	57	-	57
Other	13	N/A	Performing	Lifetime ECL ¹	2,677	-	2,677
					243,772	-	243,772
Cash and cash equivalents:	15	A+	N/A	12m ECL	8,796	-	8,796
					8,796	-	8,796
Total					252,568	-	252,568

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.

Due from related parties – 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.

Other receivables - The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty including historical loss experiences and current market conditions. For each new counterparty, the Company also analyses the creditworthiness before the Company's standard payment terms and conditions are offered. The Company also reviews external ratings, if they are available, and financial statements.

Cash and cash equivalents - The Company's cash and cash equivalents are held with bank and financial institution counterparties, which have an A investment grade ratings. The Group 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.

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.

Master Services Agreement risks

The Company faced the following risk as a result of the MSA Agreement which commenced on 1 January 2020.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Direct Expense Synergies Glidepath

Upon commencement of the MSA on 1st January 2020, there was a gap between the Company's income and expenses until expense synergies have been fully achieved. The final expense synergies are not expected to be achieved until the end of 2024, and as a result, to mitigate this risk, a series of 'glidepath' payments have been included within the MSA. The risk facing the Company is the requirement to deliver synergies in accordance with the anticipated glidepath.

Climate Risk

A Group-wide project was undertaken to enhance the Group's approach to managing the financial risks of climate change, including embedding climate risk considerations into the Group's overall Risk Management Framework. The project enables the Company to embed the requirements. Further details on managing the related climate change risks are provided in the Task Force for Climate-related Financial Disclosures (TCFD) within the Phoenix Group's 2022 Annual Report and Accounts.

23. Cash generated by operations

	Notes	2022 £'000	2021 £'000
Loss before tax		(20,878)	(4,721)
Non-cash movements in profit before tax:			
Amortisation of intangible assets	4	117	5,439
Depreciation property and equipment	11	10,073	11,232
Change in provision	21	1,808	835
Share-based payment expense	24	3,443	3,238
Foreign exchange on translation of foreign operation		(7)	24
Finance costs	8	1,164	1,297
Adjustment for other non-cash movements		(60,575)	7,507
Net increase in operating assets and liabilities			
Net increase in financial and other assets		(134,788)	38,698
Net increase in financial and other liabilities		186,288	(72,348)
Net increase in financial and other assets		51,500	(33,650)
Cash utilised by operations		(13,355)	(8,799)

24. Employee share-based payments

Equity-settled share-based payments to employees and others providing services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Further details regarding the determination of the fair value of equity-settled share-based transactions are set out below.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each period end, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity.

Share-based payment expense

The expense recognised for employee services receivable during the year is as follows:

	Notes	2022 £'000	2021 £'000
Expense arising from equity-settled share-based payment transactions	5	3,443	3,238

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Long-Term Incentive Plan (LTIP)

The Group implemented a long-term incentive plan to retain and motivate its senior management group. The awards under this plan are in the form of nil-cost options to acquire an allocated number of ordinary shares.

Assuming no good leavers or other events which would trigger early vesting rights, the 2020, 2021 and 2022 LTIP awards are subject to performance conditions tied to the Group's performance in respect of net operating cash receipts, return on shareholder value, persistency and total shareholder return ('TSR'). The 2022 LTIP also included a performance condition tied to the Group's performance on decarbonisation.

For all LTIP awards, a holding period applies so that any LTIP awards to Executive Committee members for which the performance vesting requirements are satisfied will not be released for a further two years from the third anniversary of the original award date. Dividends will accrue on LTIP awards until the end of the holding period. There are no cash settlement alternatives.

2022 LTIP awards were granted on 18 March 2022 and are expected to vest on 18 March 2025. The 2019 LTIP awards vested on 11 March 2022. The 2020 awards vested on 13 March 2023 and the 2021 awards will vest on 12 March 2024. The fair value of these awards is estimated at the average share price in the three days preceding the date of grant, taking into account the terms and conditions upon which the instruments were granted. The fair value of the LTIP awards is adjusted in respect of the TSR performance condition which is deemed to be a 'market condition'. The fair value of the 2020, 2021 and 2022 TSR elements of the LTIP awards has been calculated using a Monte Carlo model.

The inputs to this model are shown below:

	2022 TSR performance condition	2021 TSR performance condition	2020 TSR performance condition
Share price (£)	6.39	7.38	5.86
Expected term (years)	3.0	3.0	3.0
Expected volatility (%)	31	30	20
Risk-free interest rate (%)	1.21	0.14	0.28
Expected dividend yield (%)	Dividends are received by holders of the awards therefore no adjustment to fair value is required.		

On 19 August 2022 and 17 August 2021, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the core 2021 and 2022 LTIP awards respectively.

On 18 March 2022 and 19 August 2022 LTIP Buy-out awards were granted to certain senior management employees. There are discreet vesting periods for these awards and these grants of shares are conditional on the employees remaining in employment with the Group for the vesting period. Similar awards were also issued on 12 March 2021 and 17 August 2021.

On 14 August 2020, LTIP awards were granted to certain senior management employees. The vesting periods and performance conditions for these awards are linked to the Group's core 2018, 2019 and 2020 LTIP awards.

Each year, the Group issues a Chairman's share award under the terms of the LTIP which is granted to a small number of employees in recognition of their outstanding contribution in the previous year. The awards are granted on the same dates as the core 2019, 2020 and 2021 LTIP awards. These grants of shares are conditional on the employees remaining in employment with the Group for the vesting period and achieving an established minimum performance grading. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting.

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Deferred Bonus Share Scheme ('DBSS')

Each year, part of the annual incentive for certain executives is deferred into shares of the parent company. The grant of these shares is conditional on the employee remaining in employment with the Group for a period of three years from the date of grant. Good leavers will be able to, at the discretion of the Remuneration Committee, exercise their full award at vesting. Dividends will accrue for DBSS awards over the three year deferral period. The number of shares for all outstanding DBSS awards was increased in July 2018 to take account of the impact of the 2018 Group rights issue.

The 2022 DBSS was granted on 18 March 2022 and is expected to vest on 18 March 2025. The 2019 DBSS awards vested on 11 March 2022. The 2020 awards vested on 13 March 2023 and the 2021 awards are expected to vest on 12 March 2024.

The fair value of these awards is estimated at the average share price in the three days preceding the date of the grant, taking into account the terms and conditions upon which the options were granted.

Sharesave scheme

The sharesave scheme allows participating employees to save up to £500 each month for the UK scheme. The 2022 sharesave options were granted on 15 April 2022.

Under the sharesave arrangement, participants remaining in the Group's employment at the end of the three or five year saving period are entitled to use their savings to purchase shares at an exercise price at a discount to the share price on the date of grant. Employees leaving the Group for certain reasons are able to use their savings to purchase shares if they leave prior to the end of their three or five year period.

In 2018, following the scheme of arrangement, participants in the sharesave plans at this time exchanged their options over shares in the previous parent company for equivalent options over PGH plc ordinary shares. All sharesave options were increased in July 2018 following the Group's rights issues and the exercise price of these awards was also amended as a result of these issues.

The fair value of the options has been determined using a Black-Scholes valuation model. Key assumptions within this valuation model include expected share price volatility and expected dividend yield.

The following information was relevant in the determination of the fair value of the 2018 to 2022 UK sharesave options:

	2022	2021	2020	2019	2018
	sharesave	sharesave	sharesave	sharesave	sharesave
Share price (£)	6.142	7.486	5.66	6.80	7.69
Exercise price (£) (revised)	5.09	5.890	4.97	5.61	5.63
Expected life (years)	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25	3.25 and 5.25
Risk-free rate (%) based on UK Government Gilts commensurate with the expected term of the award	2.0 (for 3.25 year scheme) and 1.9 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.7 (for 5.25 year scheme)	0.5 (for 3.25 year scheme) and 0.5 (for 5.25 year scheme)	1.0 (for 3.25 year scheme) and 1.1 (for 5.25 year scheme)	1.0 (for 3.25 year scheme) and 1.1 (for 5.25 year scheme)
Expected volatility (%) based on the share price volatility to date	30	30	30	30	30
Dividend yield (%)	8	6.3	8.2	6.8	6.5

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

Movements in the year

The following tables illustrate the number of, and movements in, LTIP, Share save and DBSS share options during the year:

	LTIP Schemes	SAYE Schemes	Deferred BSP
Outstanding at 1 January 2022, including dividend shares*	1,115,087	1,986,700	229,936
Adjustment to opening numbers	71	(11,486)	(23,920)
Granted during the year	501,838	710,438	138,635
Forfeited/cancelled during the year	(147,563)	(273,502)	-
Exercised during the year	(105,692)	(519,716)	(9,365)
Lapsed	58,278	-	-
Outstanding at 31 December 2022	1,422,019	1,892,434	335,286
Outstanding at 1 January 2021	754,960	1,671,316	137,769
Correction to opening balances	(39,041)	-	-
SLAESL/SLI Split	(3,768)	-	(14,702)
Granted during the year	517,520	453,485	106,869
Forfeited/cancelled during the year	(40,567)	(102,741)	-
Exercised during the year	(74,017)	(28,281)	-
Lapsed	-	(7,079)	-
Outstanding at 31 December 2021	1,115,087	1,986,700	229,936

* The comparative disclosures for the LTIP and DBSS awards were previously reported excluding dividend shares that had been allocated at the vesting date. These dividend shares are now included within the movement analysis for the year ended 31 December 2022.

The weighted average fair value of options granted during the year was £3.63 (2021: £4.41). The weighted average share price at the date of exercise for the rewards exercised is £6.13 (2021: £7.08).

The weighted average remaining contractual life for the awards outstanding as at 31 December 2022 is 4.1 years (2021: 4.3 years).

25. Related party transactions

(a) Transactions with related parties

The following are details of significant transactions with related parties (including fellow subsidiaries of the Group) during the period:

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

The Company provides management services to fellow subsidiaries within the Phoenix Group, in the form of staff and other services, under management services agreements. The income received by the Company for the year ended 31 December 2022 amounted to £598,486k (2021: £362,826k).

	2022 £'000	2021 £'000
Fees and commission		
Ultimate parent	130,966	(197)
Parent company	381,667	317,207
Fellow subsidiaries	43,279	38,787
Other related parties	42,574	7,028
	598,486	362,826

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

	2022 £'000	2021 £'000
Expenses		
Ultimate parent	-	559
Parent company	180	-
	180	559

(b) Balances due from/to related parties

The period end balances arising from transactions carried out by the Company with related parties are as follows:

		2022 £'000	2021 £'000
Due from related parties:			
Ultimate parent		64,845	46,689
Parent company		27,806	17,568
Fellow subsidiaries		6,235	34,839
Other related parties		142,152	4,991
Total due from related parties	13	241,038	104,087
Due to related parties:			
Other related parties		134,781	841
Total due to related parties	18 & 20	134,781	841

(c) Key management compensation

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6.

Dividends paid by the ultimate parent company to key management during the year amounted to £nil (2021: £nil).

26. Commitments

The Company has entered into commercial non-cancellable leases on certain equipment where it is not in the best interest of the Company to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights, which are considered standard business terms.

The future aggregate minimum lease payments under non-cancellable operating leases, including low value leases, are as follows:

	2022 £'000	2021 £'000
Not later than 1 year	6,834	6,991
Later than 1 year and not more than 5 years	21,049	22,779
Later than 5 years	17,710	22,793
Total operating lease commitments	45,593	52,563

27. Events after the reporting date

As set out in the basis of preparation in note 1, as part of a plan to consolidate the servicing activities of the Group, it is intended to transfer all these activities and all associated assets and liabilities out of the Company to another Phoenix Group entity. These servicing activities will transfer out during the fourth quarter of 2023. The Company will retain the activities associated with the provision of support services under Transitional Service Agreements ('TSA'), and introducer contracts with external counterparties. The financial effect of the transfer is to transfer out all net assets with the exception of immaterial balances relating to the TSA and introducer arrangements and £3.4m of cash. As the majority of the revenue

STANDARD LIFE ASSETS AND EMPLOYEE SERVICES LIMITED

and expenses of the Company relate to its servicing activities, these will no longer continue after the transfer, with an immaterial amount of income and expense relating to the TSA and introducer contracts being retained.

Except as disclosed in note 27, there were no further subsequent events which require adjustment and / or disclosure in these financial statements.

28. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Standard Life Assurance Limited a company incorporated and resident in the United Kingdom.

The Company's ultimate parent company 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, 20 Old Bailey, London, EC4M 7AN or www.thephoenixgroup.com.