PHOENIX RE LIMITED

FINANCIAL STATEMENTS
for the year ended 31 December 2023

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Independent Auditor's Report

The Board of Directors
Phoenix Re Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phoenix Re Limited (the "Company"), which comprise the statement of financial position as at December 31, 2023, and income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance for the year then ended in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") (UK GAAP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with UK GAAP, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd.

Hamilton, Bermuda
March 6, 2024

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Income Statement

for the year ended 31 December 2023

Long-Term Business Technical Account		2023 €000	2022 (unaudited) €000
Investment income	6	794	–
Realised gains/(losses) on investments	6	1,316	–
Net unrealised gains/(losses) on investments	6	16,885	–
Gain/ (loss) on revaluation of financial liabilities (annuity)	7	(19,677)	–
Net operating expenses	11	(1,716)	–
Investment expenses and charges	6	(30)	–
Other technical charges		–	–
Balance on the long-term business technical account		(2,428)	–
Non-Technical Account			
Balance on the long-term business technical account			
Investment income	6	117	–
Realised gains/(losses) on investments	6	–	
Unrealised gains/(losses) on investments	6	3	–
Other income		11	–
Other charges		(605)	54
		(474)	54
Total profit/(loss)		**(2,902)**	**54**

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Statement of Financial Position
At 31 December 2023

ASSETS	Note	2023 €000	2022 (unaudited) €000
Investments			
Other financial investments	5	–	–
Assets held to cover financial liabilities (annuity)	5	341,201	–
Debtors			
Debtors arising out of assumed business		33,000	–
Other debtors		–	–
		33,000	–
Other assets			
Cash at bank and in hand		26,782	226
Prepayments and Accrued income			
Other prepayments and accrued income		–	–
TOTAL ASSETS		**400,983**	**226**
EQUITY AND LIABILITIES			
Capital and reserves			
Shares issued	10	(226)	(226)
Contributed surplus		(37,038)	(54)
Profit and loss account		2,956	54
TOTAL SHAREHOLDER FUNDS – EQUITY		(34,308)	(226)
Financial liabilities (annuity)	7	(363,960)	–
Creditors			
Creditors arising out of assumed business		–	
Other creditors		(2,715)	–
		(2,715)	–
Accruals payable and deferred income		–	–
TOTAL LIABILITIES		(366,675)	–
TOTAL EQUITY AND LIABILITIES		**(400,983)**	**(226)**

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Statement of Changes in Equity
for the year ended 31 December 2023

	Shares issued	Contributed surplus	Profit and loss account	Total
	€000	€000	€000	€000
Balance as at 1 January 2023	226	54	(54)	226
Profit (loss) for the year	–	–	(2,902)	(2,902)
Shares issued	–	–	–	–
Contributed surplus	–	36,984	–	36,984
Balance as at 31 December 2023	**226**	**37,038**	**(2,956)**	**34,308**
Balance as at 1 January 2022 (unaudited)	–	–	–	–
Profit (loss) for the year (unaudited)	–	–	(54)	(54)
Shares issued (unaudited)	226	–	–	226
Contributed surplus	–	54	–	54
Balance as at 31 December 2022 (unaudited)	**226**	**54**	**(54)**	**226**

Notes to the Financial Statements

(for the year ended 31 December 2023)

1. General information

Phoenix Re Limited ("the Company") is incorporated in Bermuda and commenced operations in 2022. The Company is licensed as a Class E insurer under the Insurance Act 1978 of Bermuda and related regulations, as amended (the Insurance Act) and is therefore authorised to carry on long-term insurance (including reinsurance) business in Bermuda. The Company's registered office is located at 141 Front Street, 8th floor, Hamilton, Bermuda, HM 19.

The Company is a wholly owned subsidiary of Phoenix Holdings (Bermuda) Limited (the "Parent"). The Company's ultimate parent is Phoenix Group Holding plc (the "Group" "Ultimate Parent"), which is listed on the London Stock Exchange in United Kingdom. During the year, the Company entered quota share reinsurance treaties to assume annuity benefit payments liabilities from Standard Life International d.a.c. ("SLIDAC"), a subsidiary of the Ultimate Parent.

2. Basis of preparation

The financial statements for the year ended 31 December 2023 were authorised by the board of Directors for issue on 5 March 2024.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations"). Financial Reporting Standard 103 "Insurance Contracts" is not applicable to the Company, as the contracts issued by the Company are not considered insurance contracts.

From incorporation and inclusive, of the first fiscal year ended 31 December 2022 the Company adopted FRS 102.

The financial statements are prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. In these financial statements, the entity is considered to be a qualifying entity under FRS 102 and has applied the exemptions available in respect of the following disclosures:

- Cashflow statement and related notes;
- Key management personnel compensation; and
- Related party transactions with wholly owned subsidiaries of Phoenix Group Holdings plc.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements are presented in Euro (€) and rounded to thousand (€000), except where otherwise stated.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of financial statements are set out below. The principal accounting policies applied in the preparation of these financial statements are set out below.

Going concern

The directors have a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the date of approval of these financial statements, and thus continue to adopt the going concern basis of accounting. This conclusion has been based upon the following:

- The Company is a subsidiary within the Phoenix Group and its ultimate parent company is continuing to trade profitably on an operating profit basis and there are no plans for liquidation; and
- The Company has a satisfactory capital surplus, generates positive liquidity from its core business. Consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties. The management of the financial risk is disclosed in Note 9, including the Company's exposure to credit risk and liquidity risk which it carefully manages through cash flow forecasting and fund management.
- The Company in its full first year of trading made a loss however is forecast to make a profit in future years, in addition it is sufficiently capitalised to absorb the loss incurred.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentation currency

The Company's functional currency is in Euro. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from financial liabilities (annuity) contracts are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

The results and financial position of the Company are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank credit cards balance. Bank credit card balance, when applicable, are shown within other creditors in current liabilities.

Financial instruments

The Company has chosen to account for its financial instruments in accordance with FRS 102.11.2 (c) which applies the recognition and measurement provisions of IFRS 9 (as adopted for use in the UK) with the disclosure requirements of FRS 102.11 and FRS 102.12 Other Financial Instruments.

Financial instruments cover a wide range of financial assets, including investments, intercompany receivables and cash and cash equivalents and financial liabilities, including reinsurance treaty liabilities and trade payables. Financial assets and financial liabilities are recognised in the Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Financial assets

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best represents the way the business is managed and information is reported to management. The assessment considers the stated portfolio policies and objectives. It is important to determine whether management's strategy in holding the financial asset is to earn contractual interest revenue, for example to match the duration of financial assets to the duration of liabilities that are funding those assets or to realise cash flows through the sale of the assets. The frequency, volume and timing of sales in prior periods may be reviewed, along with the reasons for such sales and expectations about future sales activity. This helps management determine whether financial assets should be measured at fair value.

Financial assets are not reclassified after their initial recognition, except in the period after the Company changes its business model for managing financial assets. Reclassifications are expected to occur infrequently.

(i) Initial recognition

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) or a financial liability is initially measured at fair value plus, for an item not at fair value through the profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition.

(ii) Classification

The Company determines the classification of its investments at initial recognition. The Company classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms to identify whether they are solely payments of principal and interest ("SPPI") on the principal amount outstanding into "amortised cost" "fair value through profit or loss" and "fair value through other comprehensive income":

(a) Amortised cost

Financial assets are classified and subsequently measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual cash flows pass the SPPI test.

(b) Fair value through other comprehensive income ("FVOCI")

Financial assets are classified and subsequently measured at FVOCI if the assets are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows pass the SPPI test.

(c) Fair value through profit or loss ("FVTPL")

Financial assets in this category are those that are managed in other business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company's primary business model is other business model – the Company is focused on the fair value information of the financial assets and liabilities to make consistent business decisions and evaluate performance. Therefore, the majority of the assets, especially all the assets backing the liabilities are classified as FVTPL. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual cash flows pass the SPPI test. The Company does not have any assets held as FVOCI.

(iii) Subsequent measurement

(a) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

(b) Financial assets at FVOCI

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and calculated in the same manner as financial assets measured at amortised cost. The change in the fair value of the debt instrument is recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recognised in profit or loss. The Company has no debt instruments that are classified as FVOCI.

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment. The Company has no equity instruments that are classified as FVOCI.

(c) Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income (loss).

The Company categorises its financial assets into the following categories:

Financial assets	**Classification**
Assets actively managed to back the liabilities (including cash and cash equivalent, debt securities and other fixed-income securities)	FVTPL
Assets not actively managed to back the liabilities	Amortised cost
Cash and cash equivalents	Amortised cost
Deposits with banks in excess of 3 months	Amortised cost
Loan receivables	Amortised cost
Intercompany receivables – non-technical	Amortised cost
Accrued income	Amortised cost

Financial liabilities

(i) Initial recognition

Financial liabilities include annuity treaty liability transferred to the Company from SLIDAC and other financial liabilities such as accounts payable, and upon initial recognition, are measured at fair value.

The Company entered two reinsurance treaties with SLIDAC. For both treaties, the quota share reinsurance will cover 100% of the investment risk and 10% of the demographic risk, with the remainder of the demographic risk being retained by SLIDAC. Such annuity treaties are classified as financial liabilities under FRS 102 Section 11 and Section 12, as no significant insurance has transferred.

The annuity liability is designated as at fair value through profit or loss to reduce accounting mismatch, as the corresponding assets are measured at fair value through profit or loss. Other financial liabilities such as accounts payable are measured at amortised cost.

(ii) Subsequent measurement

Financial liabilities at FVTPL are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the statement of comprehensive income (loss). Financial liabilities at amortised costs are measured at amortised cost with an effective interest method.

Derecognition

The Company derecognises a financial asset where:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offset

Financial 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 asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

Impairment of financial assets

IFRS 9 introduces an expected loss accounting model for credit losses that differs significantly from the incurred loss model under IAS 39. The impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments. Financial assets at amortised cost include trade receivables and cash and cash equivalents (excluding money market funds which are measured at fair value).

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three stage expected credit losses (“ECL”) impairment model:

Performing financial assets:

Stage 1

From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date (12 month ECL).

Stage 2

Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset (Lifetime ECL).

The assessment of whether there has been a significant increase in credit risk requires judgment, based on the lifetime probability of default (“PD”). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Stage 3

When a financial asset is considered to be credit impaired, the allowance for credit losses (“ACL”) continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes events such as significant financial difficulty of the borrower or issuer, a breach of contract such as a default or past due event or the restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider. The assumption that the credit risk for balances over 30 days significantly increases has been rebutted on the basis that some balances will go over 30 days in the normal course of the settlement cycle, and therefore, there is no increase in the credit risk.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. As at 31 December 2023, no impairment was required.

Collateral

It is the Company’s practice to receive and pledge collateral in the form of cash or non-cash assets in respect of reinsurance arrangements to reduce the credit risk of these transactions. The amount and type of collateral required where the Company receives collateral depends on an assessment of the credit risk of the counterparty but is usually in the form of cash or marketable securities.

Collateral received in the form of cash, where the Company has contractual rights to receive the cash flows generated and is available to the Company for investment purposes, is recognised as a financial asset in the Statement of Financial Position with a corresponding financial liability for its repayment. The collateral repayable is recognised as ‘obligations for repayment of collateral received’ within ‘other financial liabilities’ and is measured at amortised cost, which in the case of cash is equivalent to

cost. Non-cash collateral received is not recognised in the Statement of Financial Position unless the counterparty defaults on its obligations under the relevant agreement.

Cash and non-cash collateral pledged where the Company retains the contractual rights to receive the cash flows generated is not derecognised from the Statement of Financial Position unless the Company defaults on its obligations under the relevant agreement. Where the counterparty has contractual rights to receive the cash flows generated, cash and non-cash collateral pledged is derecognised from the Statement of Financial Position and a corresponding receivable is recognised for its return.

The Company has established a collateral agreement with the counterparty for the initial two reinsurance treaties, ensuring all received assets back the corresponding liabilities. The Company monitors the market value of the collateral received. The total assets listed as held to cover financial liabilities (annuities) are collateral assets for the financial liability (annuity) transferred from the counterparty. These collateral assets are valued at fair value, with any changes in fair value impacting the Company's profit or loss statement. When new business is assumed, new assets will be assumed by the Company pursuant to the collateral agreement.

Investment return

Interest income is recognised using the effective interest rate method. Interest expenses are accounted for on an accrual basis. Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Share capital and distributions to equity holders

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds.

Dividends and other distributions to the Company’s shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Company. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

Provisions and contingent liabilities

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

A provision is recognised for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Taxation

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

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 recognised in respect of timing differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. 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

Deferred tax is recognised in respect of timing differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. 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.

Events after the reporting period

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

4. Critical accounting judgements and 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 the measurement of reinsurance treaties and determination of the fair value of financial assets and liabilities. The application of critical accounting judgements that could have the most significant effect on the recognised amounts is the determination of adjusted operating profit. The value of the recognised amounts can be referring to the related notes highlighted in the table below. Details of all critical accounting estimates and judgements are included below.

Financial statement area	Critical accounting estimates, judgements and assumptions	Related notes
Fair value of financial assets and liabilities	The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policies 3 (d). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates and the notes provide further disclosures on fair value hierarchy and assumptions used to determine fair values. Level 3 financial instruments include annuity treaty contracts, because the pricing or fair value of the annuity treaty contracts is not directly observable due to the absence of an active market with quoted prices. Therefore, the valuation requires estimation. Common actuarial techniques, such as discounted cash flow methods employing best estimate assumptions and market-consistent appraisals, are utilised. The actuarial techniques taking into market conditions at the valuation date as well as non-economic assumptions such as future expenses and longevity which are set based on past experience, market practice, regulations and expectations about future trends. At 31 December 2023, there were no adjustments made to the longevity assumptions to specifically allow for the impact of climate change on annuitant mortality. In relation to the Level 3 financial instruments, sensitivity analysis is performed in respect of the key assumptions used in the valuation of these financial instruments. Details of the sensitivity analysis performed is set out within note 7.	7, 8

5. Other financial investments

	Carrying Value		Purchase Price	
	2023	**2022**	**2023**	**2022**
	€000	€000	€000	€000
Financial assets at fair value through profit or loss	**341,201**	–	**318,685**	–
Financial assets that are debt instruments held at amortised cost	**–**	–	**–**	–
Total other financial investments	**341,201**	–	**318,685**	–

Included in balance sheet as follows:

Other financial investments				
Debt securities and other fixed-income securities	**–**	–	**–**	–
Deposits with credit institutions	**–**	–	**–**	–
Other	**–**	–	**–**	–
	–	–	**–**	–
Assets held to cover financial liabilities (annuity)				
Debt securities and other fixed-income securities	**340,553**	–	**318,039**	–
Deposits with credit institutions	**648**	–	**646**	–
Other	**–**	–	**–**	–
	341,201	–	**318,685**	–

6. Investment return

	Long-term business technical account		Non-technical account	
	2023	2022	2023	2022
	€000	€000	€000	€000
Investment income				
Interest income on financial assets that are debt instruments held at amortised cost	–	–	–	–
Income from financial assets at fair value through profit and loss	794	–	117	–
Income from other financial investments	794	–	117	–
Net gains on the realisation of investments	1,316	–	–	–
	2,110	–	117	–
Investment expenses and charges				
Net losses on the realisation of investments	–	–	–	–
Other investment management expenses	(30)	–	–	–
Net unrealised gains/(losses) on investments	16,885	–	3	–
Total investment return	18,965	–	120	–
Investment return is analysed between:				
Investment return retained in the long-term business technical account	18,965	–	–	–
Investment return allocated from the long-term business technical account to the non-technical account	–	–	120	–
Total investment return	18,965	–	120	–

Included in the above are net gains on financial assets at fair value through profit and loss of €794 (2022 - €nil). There is no impairment loss on financial assets not measured at fair value through profit or loss (2022 - €nil).

7. Financial liabilities

The table presents the financial liabilities valued at fair value, accounted for through profit or loss:

	Financial liability (Annuity)
	€000
At 1 January 2023	–
Premiums cash inflow	344,297
Claims payout cash outflow	(14)
Gain (Loss) on fair value measurement	19,677
At 31 December 2023	363,960

In the measurement of the change in fair value of the financial liability (annuity), it is noted that the changes attributable to changes in the Company's own credit risk are considered not material.

Sensitivity analysis

The following table presents the sensitivity of the value of the financial liabilities in relation to movements in key assumptions and estimates used in the valuation of these financial liabilities.

	Change in variable	**Increase/Decrease in profit/(loss) and equity**	
		2023	**2022**
Variable		€000	€000
Increase in assurance mortality	10%	—	—
Increase in annuitant longevity	20%	(1,700)	—
Increase in expenses	10%	(1,200)	—
Increase in lapse rates	10%	—	—
Decrease in assurance mortality	(10)%	—	—
Decrease in annuitant longevity	(20)%	1,700	—
Decrease in expenses	(10)%	1,100	—
Decrease in lapse rates	(10)%	—	—

Further details of the market risk impact on financial liabilities are explained in note 9 (iii).

8. Fair value estimation

The fair value and fair value hierarchy of financial instruments is determined as follows:

Level 1 financial instruments

The fair value of financial instruments traded in active markets (such as exchange traded securities and derivatives) is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument. Greater depth and narrower bid-ask spread indicates higher liquidity in the instrument and are classed as Level 1 inputs. For collective investment schemes, fair value is by reference to published bid prices.

Level 2 financial instruments

The fair values of financial instruments traded in active markets with less depth or wider bid-ask spreads which do not meet the classification as Level 1 inputs are classified as Level 2. The fair values of financial instruments not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified as Level 2, only where there is a sufficient range of available quotes. The fair value of over-the-counter derivatives is estimated using pricing models or discounted cash flow techniques. Collective investments schemes where the underlying assets are not priced using active market prices are determined to be Level 2 instruments. Where pricing models are used, inputs are based on market related data at the period end. Where discounted cash flows are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market related rate for a similar instrument.

All the Company's Level 1 and Level 2 assets measured at fair value have been valued using standard market pricing sources.

Level 3 financial instruments

The Company's financial instruments determined by valuation techniques using non-market observable inputs are based on a combination of independent third-party evidence and internally developed models. The fair value of the Company's financial liability (annuity) is classified as Level 3 as the estimation of insurance cashflow projections require Level 3 inputs.

Transfers

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the middle and end of each reporting period. Transfers identified are deemed to have taken place at the start of the reporting period.

The following tables presents the assets and liabilities measured at fair value at 31 December 2023 and 2022:

2023

	Level 1	Level 2	Level 3	Total balance
	€000	€000	€000	€000
Assets				
Financial assets at fair value through profit or loss:				
Debt securities and other fixed income securities	–	–	–	–
Deposits with credit institutions	–	–	–	–
Other	–	–	–	–
Assets held to cover financial liability (annuity)	341,201	–	–	341,201
	341,201	**–**	**–**	**341,201**
Liabilities				
Financial liability (annuity)	–	–	(363,960)	(363,960)
	–	**–**	**(363,960)**	**(363,960)**

2022

	Level 1	Level 2	Level 3	Total balance
	€000	€000	€000	€000
Assets				
Financial assets at fair value through profit or loss:				
Debt securities and other fixed income securities	–	–	–	–
Deposits with credit institutions	–	–	–	–
Other	–	–	–	–
	–	**–**	**–**	**–**

9. Management of financial risk

Overview

Risk Management Framework

The Company's Risk Management Framework ("RMF") embeds proactive and effective risk management across the Company. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. The Company's RMF is aligned to the principles and guidance in the Phoenix Group's RMF as well as BMA Insurance Code of Conduct. The nine elements of the Group's RMF are: Risk Strategy & Culture, Risk Appetite, Risk Universe, Risk Policies, Governance & Organisation, Emerging Risk, Strategic Risk Management, Risk & Capital Models, and Risk & Controls Processes & Reporting.

Risk Universe

The Company's Risk Universe summarises the comprehensive set of risks to which the Company is exposed. Changes in the risk profile are influenced by the commercial, economic and non-economic environment and are identified, assessed, managed, monitored and reported through the Company's CISSA process.

There are three levels of Risk Universe categories; the highest is Level 1. Below shows the relevant risks relevant to the Company:

Level 1 category	Definition
Strategic risk	A possible source of loss that might arise from the pursuit of an unsuccessful business plan; this source of loss can be to the shareholders and / or to the cedants, and may drive reputational damage which could further impact the Company's ability to meet its strategic objectives.
Financial soundness	The risk of financial failure, reputational loss, loss of earnings and/or value arising from a lack of liquidity, funding or capital, and/or the inappropriate recording, reporting and disclosure of financial, taxation and regulatory information and includes the impact of liquidity and funding, capital management, and tax risk.
Market risk	The risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The risk typically arises from exposure to fixed income asset classes and the impact of interest rates, inflation rates and currency exchange rates.
Credit risk	The risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default or a downgrade of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.
Insurance risk	The risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements.
Operational risk	The risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events.
Group Risk	Group risk is inherent to the Company's business strategy given that the Company's main objective is to provide intra-group reinsurance solutions as well as dependency on the Group's capital injections and various services support.

The Company has also defined a more granular categorisation for Level 2 and Level 3 risks. This helps to further explain our attitude to these risks.

(i) Strategic risk

Strategic risks threaten the achievement of the Company's strategy through poor strategic decision-making, implementation or response to changing circumstances. The Company recognises that core strategic activity brings with it exposure to strategic risk. However, the Company seeks to proactively review, manage and control these exposures.

The Company's strategy and business plan are exposed to external events that could prevent or impact the achievement of the strategy; events relating to how the strategy and business plan are executed; and events that arise as a consequence of following the specific strategy chosen. The identification and assessment of strategic risks is an integrated part of the RMF. Strategic Risk should be considered in parallel with the Risk Universe as each of the risks within the Risk Universe can impact the Company's strategy.

A Strategic Risk Policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Company's strategic ambitions.

(ii) Financial soundness

The Quantitative Risk Metrics (QRMs) approved by the Company Board Risk Committee will capture the most material drivers of risk to financial soundness, providing early warning indicators to manage exposures within appetites. Maintaining appropriate

regulatory solvency ratios and sufficient liquidity are key objectives in strategic decision making. The Company has identified the following key risks areas under financial soundness: i) liquidity and funding risk, ii) capital management risk, and iii) tax risk.

(a) Liquidity and funding risk

Liquidity risk in its broadest sense can be defined as failure to maintain adequate levels of financial resources to meet obligations as they fall due. Funding risk relates to the potential inability to raise additional capital or liquidity when required in order to maintain the resilience of the Statement of Financial Position.

Liquidity risk is the risk that the Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due.The high predictability of the Company’s liability cashflows reduces the likelihood of having to realise supporting assets at an inopportune time.

The Company has adopted and implemented Liquidity and Funding risk policy in 2023. The Company’s liquidity risk management approach considers management of both short-term and long-term liquidity risk. In addition to monitoring projected asset and liability cashflows, an internally derived liquidity risk measure “Liquidity Coverage Ratio” is planned to be used to assess liquidity coverage under base and stress scenarios.

- Contractual undiscounted maturities

The following table provides a maturity analysis showing the remaining contractual maturities of the Company's undiscounted financial liabilities. The contractual maturities of liabilities under financial liability (annuity) contracts are included based on the estimated timing of the amounts recognised in the Statement of Financial Position:

2023

	< 6mths or on demand	Between 6mths and 1 year	Between 1 year and 2 years	Between 2years and 5 years	> 5 years	Total	Carrying value
	€000	€000	€000	€000	€000	€000	€000
Financial liabilities (annuity)	13,588	11,878	23,408	68,338	369,956	487,168	363,960
Creditors arising out of assumed business	–	–	–	–	–	–	–
Other creditors	2,715	–	–	–	–	2,715	2,715
Total financial liabilities	**16,303**	**11,878**	**23,408**	**68,338**	**369,956**	**489,883**	**366,675**

2022

	< 6mths or on demand	Between 6mths and 1 year	Between 1 year and 2 years	Between 2years and 5 years	> 5 years	Total	Carrying value
	€000	€000	€000	€000	€000	€000	€000
Other creditors	–	–	–	–	–	–	–
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**

(b) Capital management risk

Capital management risk is defined as the failure of the Company to maintain sufficient capital to provide appropriate security for policyholders and meet all regulatory capital requirements whilst not retaining unnecessary capital. The Company has exposure to capital management risk through the regulatory capital requirements mandated by the Bermuda Monetary Authority ("BMA").

The Enhanced Capital Requirement (“ECR”) is a regulatory prescribed capital requirement that enables the BMA to assess the capital adequacy of regulated insurers. The ECR is disclosed in an insurer’s Capital and Solvency Return. The BMA imposes a target ECR coverage ratio of 120%.

The capital requirements of the Company are forecast on a periodic basis, and the requirements are assessed against the forecast available capital resources and the requirements of Capital Management risk policy, which has been adopted in 2023.

The Company targets an ECR coverage ratio of 200%, as defined in its Capital Management risk policy. At 31 December 2023, the Company maintained an ECR coverage ratio of 323%.

(c) Tax risk

Tax risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, due to an unforeseen tax cost, or by the inappropriate reporting and disclosure of information in relation to taxation.

Potential causes of Tax risk are: the Company making a material error in its tax reporting; incorrect calculation of tax provisions and failure to implement the optimum financial arrangements to underpin a commercial transaction.

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. In addition, the Company has a formal

tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Company has in place to manage those risks.

The Company currently is not currently subject to corporate tax. However, the Organization for Economic Co-operation and Development ("OECD") introduced a Global Anti-Base Erosion Model Rules ("Pillar Two") to ensure multinational enterprises pay a minimum level of tax on the income arising in each of the jurisdictions where they operate. The Company, as a subsidiary of the Group, is expected to be within the scope of the rules from 1 January 2024.

In response to the Pillar Two rules, the Bermudian Government decided to introduce a Corporate Income Tax regime and accordingly, the Corporate Income Tax Act 2023 was enacted in December 2023. The legislation imposes a corporate income tax ("Bermuda CIT") on certain Bermuda resident entities. It is expected that the company (along with the other Phoenix Group Bermuda resident companies, together the "Phoenix Bermuda Group") will be subject to Bermuda CIT at a rate of 15% from 1 January 2025.

The Company is continuing to monitor the development of the tax regulations both in Bermuda and elsewhere to remain informed about any changes that might affect its tax status and its tax reporting.

(iii) Market risk

Market risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The risk typically arises from exposure to fixed income asset classes and the impact of changes in interest rates, inflation rates and currency exchange rates.

The Company's exposure to market risk is limited due to close matching between liability profiles and the related asset investment portfolios.

(a) Interest Risk

Interest rate (and inflation) risk is the risk that changes in long-term interest rates or inflation rates (or the volatilities of these rates) could lead to reduction in asset values relative to liabilities which may result in losses for policyholders and shareholders.

The main financial assets held by the Company which give rise to interest rate risk are debt securities and deposits, cash and cash equivalents. Financial liabilities subject to interest rate risk include financial liabilities (annuity) contracts.

The Company is required to manage its interest rate exposures in line with the Company's qualitative risk appetite statements and quantitative risk metrics. Interest rate risk is managed by matching assets and liabilities. In practice, the Company maintains an appropriate mix of debt securities according to the underlying annuity contracts and reviews this at regular intervals to ensure that overall exposure is kept within the risk profile. This also requires the maturity profile of these assets to be managed in line with the liabilities.

The Company's exposure to interest rate risk sensitive financial assets and liabilities are as follows:

	2023	**2022**
	€000	€000
Financial Assets		
Cash and cash equivalents	26,782	226
Debt securities and other fixed-income securities	340,553	–
Deposits with credit institutions	648	–
Financial Liabilities		
Financial liability (annuity)	363,960	–

The following sensitivity analysis shows the impact of changes in interest rate on profit or loss. This analysis was performed keeping all other variables constant in order to isolate the impact of changes in interest rate.

	Increase/Decrease in profit/(loss) and equity	
	2023	**2022**
	€000	€000
100bps widening of credit spreads	(6,500)	–
100bps narrowing of credit spreads	500	–
100bps increase in interest rates	1,200	–
100bps decrease in interest rates	(1,600)	–

(b) Inflation risk

Inflation exposure is deemed immaterial as only a very small proportion of the underlying annuities have inflation linkage.

(c) Currency risk

Currency risk arises when changes in the foreign exchange rates could potentially lead to changes in the value of financial assets and liabilities.

The Company's principal transactions are carried out in Euro and therefore its currency risk arises from transactions made in foreign currency involving assets and liabilities arising from operating expenses. The Company's non-Euro denominated operation generally invests in assets in the same currency denomination as its liabilities, so foreign currency mismatch risk between assets and liabilities is largely mitigated.

The following sensitivity analysis shows the impact of possible movement in exchange rate and its impact on profit or loss. This analysis was performed keeping all other variables constant in order to isolate the impact of changes in exchange rate.

	Change in exchange rate	**Effect on total profit/(loss) and equity**	
		2023	**2022**
		€000	€000
Cash and cash equivalents	5%	382	11
Financial liability (annuity)	10%	500	–
Cash and cash equivalents	(5)%	(382)	(11)
Financial liability (annuity)	(10)%	(300)	–

(iv) Credit risk

Credit risk is defined as the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner), whether on or off balance sheet.

There are two principal sources of credit risk for the Company:

- Credit risk which results from direct investment activities, including investments in debt securities collective investment schemes and the placing of cash deposits; and
- Credit risk which results indirectly from activities undertaken in the normal course of business. Such activities include outsourcing contracts.

The amount disclosed in the Statement of Financial Position in respect of all financial assets represents the Company's maximum exposure to credit risk.

(a) Credit risk management

Credit risk is managed by the monitoring of aggregate Company exposures to individual counterparties and by appropriate credit risk diversification (including by sector, credit rating and geographic area). The Company manages the level of credit risk it accepts through the use of credit risk tolerances and limits.

The Company maintains accurate and consistent risk ratings across its asset portfolio. Significant exposures and breaches are reported to the Board of Directors and to the Risk and Investment Committees.

(b) Concentration of credit risk

Concentration of credit risk might exist where the Company has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The Company's counterparty risk is monitored by the counterparty limit framework contained within investment management agreements.

The Company is also exposed to concentration of credit risk with outsourced service providers. This is due to the nature of the outsourced services market. The Company operates a policy to manage outsourced service counterparty exposures.

(c) Quality of credit assets

An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The following table sets out the Company's aggregate credit exposure to different credit assets for those counterparties that are rated by an External Credit Assessment Institution ("ECAI"). Credit assets and their issuers are rated by ECAI's based on their credit worthiness. The Company aims to mainly invest in Investment Grade assets which are those assets in the range of AAA to BBB according to Bloomberg Composite. Any asset with a rating lower than BBB- is considered sub-investment grade.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

2023	AAA	AA	A	BBB	Internally rated	Non-rated	Total
	€000	€000	€000	€000	€000	€000	€000
Debt securities and other fixed income securities	30,404	90,382	183,914	35,853	–	–	340,553
Debtors arising out of assumed business	–	–	–	–	–	33,000	33,000
Other debtors	–	–	–	–	–	–	–
Cash at bank and in hand	19,767	–	7,663	–	–	–	27,430
	50,171	90,382	191,577	35,853	–	33,000	400,983

2022	AAA	AA	A	BBB	Internally rated	Non-rated	Total
	€000	€000	€000	€000	€000	€000	€000
Debt securities and other fixed income securities	–	–	–	–	–	–	–
Debtors arising out of assumed business	–	–	–	–	–	–	–
Other debtors	–	–	–	–	–	–	–
Cash at bank and in hand	–	–	250	–	–	–	–
	–	–	250	–	–	–	–

The assets reported above include €341m related to the assets held to cover financial liabilities. The debtors arising out of assumed business €33m represents premiums receivable from the SLIDAC. In the event of non payment, the associated financial liability would be released.

(v) Insurance Risk

The Company is exposed to a range of insurance risks due to fluctuations in the timing, frequency and severity of insured/ underwritten events and timing and amounts of claim settlements. The Company seeks to identify, measure, monitor, report and manage its insurance risk exposures. The Insurance Risk Policy will set out a system of controls to manage this risk within appetite with QRMs providing early warning indicators to manage the most material exposures within acceptable tolerances.

(a) Demographic Risk

Longevity risk - lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality. The Company also has immaterial exposure to mortality risk.

Demographic risk is limited as a result of the 10% demographic risk transfer limit.

(b) New Business Pricing Risk

New business pricing risk - inappropriate pricing of new business that is not in line with the underlying risk factors for that business.

The Company is exposed to new business pricing risk as it seeks to grow organically through offering reinsurance to other Group entities, covering a range of product lines to help Phoenix Group's customers achieve secure and sustainable futures. This risk is managed by the Chief Actuary by ensuring that pricing is approved by the Board of Directors.

(c) Expense Risk

The Company effectively manages expense risk by ensuring that actual expenses do not materially diverge from expected levels.

(vi) Operational risk

Operational risk is defined as the risk of reductions in earnings and/or value, through financial or reputation loss, from inadequate or failed internal processes and systems, or from people related or external events. Operational risk is inherent to all business activities, including the management of other risks. The Company seeks to manage operational risks and resilience to business disruption across in-house and outsourced operations so it can avoid, or limit, unintended consequences and unacceptable impacts on policyholders, shareholders and other stakeholders, reputation and regulatory compliance or strategic objectives. Operational risk is measured and assessed quantitatively and qualitatively across the whole business, including in house and outsourced operations and business changes. The Company's suite of Risk Policies sets out the control objectives and key controls designed to manage operational risks within appetite, and the RMF sets out the process whereby operational risks are identified, assessed against agreed thresholds, measured and reported.

Operational risk charge is assumed at its maximum level to reflect the fact that the Company continues to develop its operational and risk management capabilities. Risk Margin calculation assumes reduction over time from this level to 4% charge (under the 2018 Bermuda Solvency and Capital Requirements ("BSCR") methodology) and 9% charge (under 2019+ BSCR methodology), with transitional in between for years 5 onwards.

(vii) Climate Change risk

The Company is exposed to market and credit risk related to the transition to a low carbon economy, and the physical impacts resulting from climate change which could result in long-term market, credit, insurance, reputation, legal and operational implications. The Company is currently developing a risk metrics and targets framework, and establishing appropriate governance and risk management processes. Group has adopted a proactive approach towards combating climate change, with key net-zero targets and the Company intends to follow the Group's approach.

10. Share capital

Ordinary shares at €0.90 each	**2023**	**2022**
Allocated and fully paid:		
Opening balance	250,000	0
Issued during the year	0	250,000
Closing balance	250,000	250,000

The Company issued one class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital. During the year, no shares were issued (2022, 250,000 ordinary shares with a par value of USD $1 (**€0.90**) each was issued to the shareholder).

During the period the Company received a capital surplus injection of €36,984k (2022- €54k).

11. Expenses

The Company entered into a service level agreement ("SLA") between Phoenix Management Services (Bermuda) Limited (the "Management Co."), which is a wholly owned subsidiary within the Group. The Management Co. provides management services to the Company. For the services received, the Company compensates the Management Company based on total assets managed and on assets transferred related to new business premiums.

The table below summarises the expenses the Company incurred. expenses pertaining to maintenance and other acquisition costs are paid to the Management Co.

	2023	**2022**
	€000	€000
Net operating expenses		
Maintenance costs	–	–
Other acquisition costs	1,716	–
Other expenses	605	54
Total administrative expenses	2,321	54

Exchange differences

Exchange differences of €11k (2022 - Nil). have been credited/(charged) to administrative expenses.

12. Tax

In December 2023 the Corporate Income Tax Act 2023 was enacted in Bermuda. The legislation imposes a corporate income tax ("Bermuda CIT") on certain Bermuda resident entities. It is expected that the company (along with the other Phoenix Group Bermuda resident companies, together the "Phoenix Bermuda Group") will be subject to Bermuda CIT at a rate of 15% from 1 January 2025.

The Bermudian CIT legislation requires that companies make a mandatory Economic Transition Adjustment ("ETA") to adjust their assets and liabilities to fair market value from carrying value and book the difference as a tax asset. Companies make an election to opt out the ETA and use tax carryforward losses. If elected to opt out of the ETA, the election provides that, broadly, any net tax losses incurred by the Phoenix Bermuda Group in the five years from 1 January 2020, may be brought into the CIT regime as opening tax loss carry-forwards and be available for offset against any future taxable profits of the Phoenix Bermuda Group.

It is expected that this election will be made by the Phoenix Bermuda Group and accordingly an unrecognized deferred tax asset exists in relation to losses of €2.9m referable to the company carried forward as at 31 December 2023. No deferred tax asset has been recognised in relation to these losses due to uncertainty regarding the realisation of the future tax benefits.

13. Related party transaction

2023	Entities with control, joint control or significant influence over the entity	Key management personnel	Other related parties[1]
€000			
Gain/ (loss) on revaluation of financial liabilities (annuity)	–	–	19,677
Acquisition costs on financial liabilities (annuity)	–	–	1,716
Intercompany payable/receivable	–	–	30,609

1: The transaction with other related parties include the annuity treaties transferred from SLIDAC. The Company has established a collateral agreement with SLIDAC for the initial two reinsurance treaties, ensuring all received assets back the corresponding liabilities. The company has a management service agreement with Phoenix Management Services (Bermuda) limited for which acquisition costs are payable.

2022	Entities with control, joint control or significant influence over the entity	Key management personnel	Other related parties
€000			
Gain/ (loss) on revaluation of financial liabilities (annuity)	–	–	–
Acquisition costs on financial liabilities (annuity)	–	–	–
Intercompany payable/receivable	–	–	–

14. Subsequent event

There is no significant non-adjusting subsequent event.