Registered No. 04486031

MANAGED PENSION FUNDS LIMITED

Report and Financial Statements

For the year ended 31 December 2022

Registered No. 04486031

DIRECTORS
N Wightman (Chairman and Non-executive)
I Armfield (Non-executive)
R Bridger (CEO)
S Sanderson
C O'Connor

INDEPENDENT ACTUARIAL FUNCTION HOLDER
N Chapman
Willis Towers Watson
Watson House
Reigate
Surrey
United Kingdom
RH2 9PQ

COMPANY SECRETARY
V Sullivan

AUDITOR
Ernst & Young LLP
25 Churchill Place
London
United Kingdom
E14 5EY

REGISTERED OFFICE
20 Churchill Place
London
United Kingdom
E14 5HJ

STRATEGIC REPORT
For the year ended 31 December 2022

The directors of Managed Pension Funds Limited ("MPFL" and "the Company") present the Strategic Report of the Company for the year ended 31 December 2022 and have complied with s414c of the Companies Act 2006 in preparing the report.

REVIEW OF THE BUSINESS

Principal Activities

The Company is a UK-based insurance company authorised by the Prudential Regulatory Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. Its principal activity is to provide pooled investment management services to pension schemes and reinsurance platforms under unit-linked life insurance contracts.

Business Model

The Company operates as an integrated part of the State Street Corporation Group of companies ("the Group") and has outsourced all client facing, investment management and back office services to other companies in the Group. State Street Global Advisors Limited ("SSGA") provides investment management, sales, marketing, administration and support services to the Company. The costs to the Company for the provision of these services are met out of fees charged to policyholders, plus any investment management fees deducted from specific funds, less a retention due to the Company of £750,000 (2021: £750,000). This retention is to enable the Company to meet its direct administrative expenses and to maintain a sufficient capital buffer to meet its regulatory obligations.

Results and Performance

The Directors consider that the Company's key financial and other performance indicators are as follows:

	2022	***2021***	***Change***
	£'000	***£'000***	***%***
Value of unit-linked liabilities	31,713,977	35,765,473	(11.3%)
Inflow to policyholder funds	4,750,106	5,276,001	(10.0%)
Outflow from policyholder funds	(4,751,063)	(6,623,125)	(28.3%)
Investment return on policyholder funds (net of all charges)	(4,050,539)	3,690,332	(209.8%)
Other technical income	10,607	12,258	(13.5%)
Direct administrative expenses	(390)	(383)	1.8%
Solvency 2 capital resource *(unaudited)*	12,599	12,172	3.5%
Solvency 2 capital coverage *(unaudited)*	282%	247%	14.6%

Inflow to policyholder funds was £4.8 billion (2021: £5.3 billion), whilst the level of outflow was £4.8 billion (2021: £6.6 billion). In the context of another volatile year for equity and fixed income markets, a £4.1 billion investment loss was incurred mainly on institutionally passive funds, split equally between equity and fixed income asset classes. This resulted in an equivalent year on year decrease in the value of unit-linked liabilities and the assets held to cover these. Other technical income comprises fees charged to policyholders based on the assets held to cover unit-linked liabilities. The decrease in this income arose from the aforementioned fall in these assets.

The capital coverage increased in line with an increase in capital resource and a lower capital requirement.

REVIEW OF THE BUSINESS (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of the Company (the “Board”) are responsible for identifying and evaluating the key risks facing the business. The Own Risk Solvency Assessment (“ORSA”) process established under the Solvency 2 rules is the process by which the Board considers the Company’s strategy and the risks faced in pursuing the strategy. The Board ensures there are adequate mitigations for the risks identified and these risks are within the Board’s appetite. The risk profile of the Company is also regularly monitored by the Board using a framework that establishes tolerances. Key risks and other operational reports are also provided to and monitored by the Board on a regular basis.

The Company only writes unit-linked investment business that passes investment risk onto policyholders. It offers no guarantees or options to policyholders that could give rise to a loss to the Company. It outsources most of its activities to other Group entities and is indemnified against operating losses arising through the negligence or errors of its outsourced service providers. The Board operates a programme of regular reviews of all outsourced activities. The Company will only be materially impacted by the failure of, or extreme events relating to, its parent company or other Group companies supporting the SSGA outsourcing activities.

Credit and market risks facing the Company are minimal as it does not undertake proprietary trading. The Company’s investment management agreement (the “IMA”) with SSGA ensures that there is no material risk to the fee income retained by the Company. The Company assets that could give rise to credit risk are the cash deposits held with Royal Bank of Scotland (“RBS”), any cash and other assets held within the SSGA Liquidity Plc SSGA GBP Liquidity Fund (also referred to as “SSGA Liquidity Fund”) and policyholder debtors.

The Company has a governance structure in place to minimise the above risks. Details of the governance structure can be found in note 21. As part of the responsibilities delegated by the Board, the MPFL Working Group (the “Working Group”) reviews the performance of outsourced service functions on a quarterly basis to ensure targets are met and issues are appropriately escalated and resolved. The performance of outsourced service functions is also reported to the Board on a quarterly basis. In addition, the Board reviews relevant reports issued by Group Internal Audit on internal audit work carried out on these outsourced service functions.

The Company is subject to rules in the PRA and the FCA handbooks stipulating that sufficient margins of regulatory solvency be maintained and that policyholders are treated fairly. The Company ensures that it meets and exceeds these targets on a regular basis. It also takes an active approach to UK regulatory issues and monitors pronouncements from both the PRA and European Insurance and Occupational Pensions Authority (“EIOPA”) to assess and plan for regulatory changes.

On 24 February 2022 Russian forces invaded Ukraine. This led to strong international economic sanctions being imposed on Russia and as a consequence, Russian securities have both collapsed in value and been withdrawn from indices. In addition, the value of some other equities linked to operations in Ukraine were impacted. The Company had an exposure of £128.5 million, or 0.38% of the value of assets held to cover unit-linked liabilities to such entities at 22 February 2022. Those securities have since been written down to £0.1m. Following the invasion of Ukraine by Russia, broader State Street management undertook an assessment of the impact on group operations in Poland, some of which provide services to the Company. Alternative work locations for staff and opportunities to transfer activities were identified, however no action was subsequently necessary.

Further information on risks and uncertainties affecting the Company is detailed in note 21.

STRATEGIC REPORT (continued)
For the year ended 31 December 2022

STATEMENT OF COMPLIANCE WITH S172(1) OF THE COMPANIES ACT 2006

The directors have acted in a way that they considered, in good faith to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

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

In order to promote the success of the Company, the Board directs and supervises the Company's affairs within a framework of effective controls which enable risk to be assessed and managed. The directors set the Company's objectives and policies and standards ensuring that its obligations to the State Street Group, its policyholders and others are understood and complied with and that it operates high standards of business conduct.

The Company has minimal suppliers in the conventional sense as it has outsourced all client facing, investment management and back office services to SSGA. The directors perform regular oversight of these services through review of operational reports, routine meetings with SSGA management and attendance by SSGA representatives at board meetings.

The directors monitor policyholder activity through regular review of financial and other reports on premiums and claims and the performance of the funds in which the policyholders are invested.

The Company has a single shareholder, no employees, and given the outsourced nature of its operations it has no direct impact on the community. Through its emerging risk and material risks reviews the Board has considered its specific climate risk and additionally the Board has considered the broader environmental impacts of its activity. The Company has engaged closely with SSGA to understand its environmental position. The Company does not consider its physical and transitional climate risks to be material. The Group publishes an annual ESG report: http://www.statestreet.com/values/corporate-responsibility.html

ACCOUNTING MATTERS AND SIGNIFICANT AREAS

The Board of MPFL have established an Audit Committee ("the Audit Committee") that considers the appropriateness of the Company's accounting policies and agrees the more significant accounting matters in relation to the Company's annual financial statements.

The accounting matters that were subject to specific consideration were the calculation of fees charged to policyholders for investment management services, which are categorised as other technical income and the valuation of assets held to cover linked liabilities. Other technical income has a risk of being misstated because of, for example incorrect cut-off of terminating policyholder accounts or incorrect fee rates being applied to policyholder billing. The valuation of assets held to cover linked liabilities could also be misstated as a result of incorrect pricing of units, recognition of expenses and income or incorrect accounting of policyholder premiums and claims.

These were satisfactorily addressed by the Audit Committee through consideration of reports provided by management and internal controls processes adhered to by those Group companies who provide outsourced services for the accurate calculation of fees and the valuation of investments, all of which are held within unit-link funds. If there were to be losses to the Company as a result of errors or negligence, the outsourcing agreements provide indemnity to the Company against such losses.

FUTURE DEVELOPMENTS

Through its fellow Group company, SSGA, the Company is actively seeking new business and will continuously review its product offering in line with client expectations and regulatory changes.

By order of the Board

V Sullivan
Company Secretary
04 April 2023

DIRECTORS' REPORT
For the year ended 31 December 2022

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

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2022 are set out on pages 13 and 14 of the financial statements. The Company made a profit before tax of £498,000 (2021: £387,000). No interim dividend (2021: £4,000,000) was paid during the year. The directors have not proposed a final dividend (2021: £Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were as follows:

N Wightman (Chairman and Non-executive)
I Armfield (Non-executive)
S Sanderson
R Bridger (CEO) appointed 24th November 2022
C O'Connor appointed 7th November 2022
A Castle resigned 24th November 2022
U Pitha resigned 30th June 2022

None of the directors, or any of their immediate family members, had any interest in the shares of the Company. No rights to shares or debentures was granted or exercised during the year.

DIRECTORS' INDEMNITIES

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force at the date of approving the Directors' Report.

GOING CONCERN STATEMENT

In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the Company's solvency position and liquidity, and the latest forecasts (up to December 2024). These forecasts have been subject to sensitivity tests and operational resilience review (including continuity of the operations and client delivery). As a result of this review, the directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 31 December 2024. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

It is the intention of the directors to reappoint Ernst & Young LLP as auditors pursuant to s487 of the Companies Act, 2006. Ernst & Young LLP will resign as auditors following completion of the audit for the year ending 31 December 2023. Over the course of 2023, the Board will undertake a process to identify a suitable replacement in advance of appointment for the year ending 31 December 2024.

By order of the Board

R Bridger
Director
04 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("IFRSs") including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the directors are required 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 IFRSs 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 whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company complies with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED

Opinion

We have audited the financial statements of Managed Pension Funds Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 22 (except for note 15 (b) which is marked as unaudited) including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework.

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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 as applied to public interest entities, 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:

- confirming our understanding of the directors' going concern assessment process and obtaining the assessment which covers the period to 31 December 2024;
- evaluating the key assumptions used in management's Business Plan which forms the basis for directors' going concern assessment;
- assessing the accuracy of the going concern analysis by testing the inputs and the clerical accuracy;
- evaluating the assets under management, solvency and liquidity position of the Company under both the base case and stress scenarios;
- evaluating the reverse stress scenarios included in the Company's Own Risk and Solvency Assessment ("ORSA") to understand how severe the downside scenarios would have to be to result in the elimination of solvency and liquidity headroom;
- assessing management's considerations of the continuity of the operations and client delivery including those of the Company's main outsourced partner, State Street Global Advisors Limited (SSGA), and its impact on the going concern assessment;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also confirmed that the going concern assessment was approved by the Board, read minutes of meetings of the Board and its committees, and made enquiries as to the impact of post balance sheet events on the business; and
- assessing the appropriateness of the going concern disclosures by comparing the disclosures with management's assessment and for compliance with the relevant reporting requirements.

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 to 31 December 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Overview of our audit approach

Key audit matters	• Revenue (Other Technical Income)
Materiality	• Overall materiality of £106,000 which represents 1% of Revenue (Other Technical Income)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls and changes in the business environment when assessing the level of work to be performed.

Climate Change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has determined that the physical and transition risks from climate change do not currently pose a material risk to the Company. This is explained on page 4 of the Report and Financial Statements, which forms part of the "Other information" rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on challenging management's risk assessment of the impact of physical and transition risks and the resulting conclusion that there was no material impact from climate change and the adequacy of the Company's disclosures on page 17 of the financial statements which explain the rationale.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	**Our response to the risk**	**Key observations communicated to the Audit Committee**
Revenue (other technical income) recognition (2022: £10.6m, 2021 £12.3m) *Refer to the Accounting policies (page 20); and Note 5 of the Financial Statements (page 23)* *There has been no change in our assessment of this risk from the prior year.* There is a risk that pressure to meet operational targets within State Street Group of Companies could increase the risk of management override with respect to revenue recognition. In particular we consider the areas of cut-off, accruals and manual journals to be the	As part of our audit procedures we have: • Understood, assessed and tested the design and operating effectiveness of key controls in respect of the recognition of management charges; • Inspected the ISAE 3402 reports for State Street IT General Controls covering the period from 1 October 2021 to 30 September 2022 to validate that controls over the valuation of assets managed by State Street Global Advisors ('SSGA') operated effectively over the period and determined the impact of any identified control exceptions. The assets managed by SSGA are used as an input to the revenue calculation; • We also obtained the bridging letter confirming that controls at SSGA were operating for the period 1 October 2022 to 31 December 2022; • Performed substantive testing procedures on a sample of management charges and ensured the correct rate has been applied in accordance with the	We have concluded that the revenue from management charges is materially correct for the year ended 31 December 2022.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
areas most susceptible to material misstatement..	underlying policy documentation and investment management agreements; • Performed revenue cut-off procedures, on a sample basis, to test whether income recognised close to the balance sheet date was recorded in the correct period; • Compared actual billings which were issued subsequent to the year end to accruals made at the year end to assess reasonableness of the accruals. For amounts not yet billed, we assessed the accuracy of accruals by assessing management's choice and application of assumptions, tested data inputs, and tested the mathematical accuracy of the calculation; and • Performed journal entry testing to identify any unusual or significant journals impacting the recognised revenue	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £106,000 (2021: £123,000), which is 1% (2021: 1%) of revenue (other technical income). We consider revenue to be the measure that the stakeholders of the Company are primarily interested in and hence is the most appropriate basis to determine materiality for the Company.

During the course of our audit, we reassessed initial materiality of £113,000 which had been based on extrapolated revenue as on 30 June 2022 and updated our calculation based on the actual results for the year. The reassessment of the initial materiality resulted in a final materiality of £106,000 and performance materiality and reporting threshold as presented below.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £53,000 (2021: £61,200). We have set performance materiality at 50% based on our assessment of the risk of misstatement.

We recognise that the audit differences in respect of the assets held to cover linked liabilities and the technical provisions for linked liabilities would offset each other with no net impact on the income statement. As a result, we applied a higher testing threshold of £950m (2021: £1,073m) to our testing of assets held to cover linked liabilities and the related liabilities, being 3% (2021: 3%) of the assets held to cover linked liabilities.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £5,000 (2021: £6,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 Report and Financial statements.

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 toa material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

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 Company 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 the direct laws and regulations related to elements of Company law and tax legislation, and the financial reporting framework Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and the Audit Committee meetings; and gained an understanding of the Company's approach to governance demonstrated by the Board's approval of the Company's governance framework and the Board's approval of the Company's Risk Management Framework and internal control processes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur that otherwise seek to prevent, deter or detect fraud. Where fraud risk, including risk of management override, was considered to be higher, we performed audit procedures to address each identified fraud risk specifically on revenue (other technical income) recognition. Our procedures were as set out in the 'Key Audit Matters' section above.
- We designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the Company's methods of enforcing and monitoring compliance with such policies and inspecting significant correspondence with the FCA and PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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.

Other matters we are required to address

- We were appointed by the Company on 2 June 2003 to audit the financial statements for the year ending 31 December 2003 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the years ending 31 December 2003 to 31 December 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit
- The audit opinion is consistent with the additional report to the audit committee

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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF MANAGED PENSION FUNDS LIMITED (continued)

DocuSigned by:

Ernst & Young LLP

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Giles Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
05 April 2023

[The following foot note should be added to the audit report when it is published or distributed electronically:

Notes:

1. The maintenance and integrity of the Managed Pensions Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INCOME STATEMENT
For the year ended 31 December 2022

Technical account – Long-term business

	Notes	*2022* £000	*2021* £000
Investment income	4	1,596,489	3,046,027
Unrealised (losses) / gains on investments	4	(5,609,595)	676,057
Other technical income	5	10,607	12,258
TOTAL TECHNICAL INCOME		(4,002,499)	3,734,342
CHANGE IN OTHER TECHNICAL PROVISIONS			
Technical provisions for linked liabilities	3	4,050,539	(3,690,332)
Net operating expenses	5	(10,247)	(11,891)
Investment expenses	4	(8,399)	(8,703)
Tax attributable to the long-term business	7(a)	(29,069)	(23,105)
TOTAL CLAIMS AND EXPENSES		(47,715)	(43,699)
BALANCE ON THE TECHNICAL ACCOUNT – LONG-TERM BUSINESS		**325**	**311**

The accompanying notes 1 to 22 form an integral part of these financial statements.

INCOME STATEMENT
For the year ended 31 December 2022

Non-Technical account

	Notes	2022 £000	2021 £000
BALANCE ON THE TECHNICAL ACCOUNT – LONG-TERM BUSINESS		325	311
Tax credit attributable to balance on the long-term business technical account	7(a)	76	72
SHAREHOLDERS' PRE-TAX PROFIT FROM LONG-TERM BUSINESS		401	383
Investment income	4	97	4
PROFIT BEFORE TAX		498	387
Tax expense on profit	7(a)	(95)	(73)
PROFIT FOR THE FINANCIAL YEAR		**403**	**314**

All of the amounts above are in respect of continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
PROFIT FOR THE FINANCIAL YEAR		403	314
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**403**	**314**

There was no other income or expense for the period other than the profit in respect of continuing operations shown within the income statement.

The accompanying notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	2021			
	Called up share capital £000	***Capital contribution £000***	***Profit and loss account £000***	***Total £000***
Balance at 1 January	5,000	7,600	3,417	16,017
Total comprehensive income for the year	-	-	314	314
Dividend paid	-	(4,000)	-	(4,000)
Balance at 31 December	**5,000**	**3,600**	**3,731**	**12,331**

	2022			
	Called up share capital £000	***Capital contribution £000***	***Profit and loss account £000***	***Total £000***
Balance at 1 January	5,000	3,600	3,731	12,331
Total comprehensive income for the year	-	-	403	403
Dividend paid	-	-	-	-
Balance at 31 December	**5,000**	**3,600**	**4,134**	**12,734**

The accompanying notes 1 to 22 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022* *£000*	*2021* *£000*
ASSETS			
INVESTMENTS			
Other financial investments	9	11,655	11,500
ASSETS HELD TO COVER LINKED LIABILITIES	10	31,713,977	35,765,473
DEBTORS			
Debtors arising out of direct insurance operations - policyholders	11	3,328	4,348
Other debtors	12	24	24
OTHER ASSETS			
Cash at bank and in hand	13	3,321	2,963
TOTAL ASSETS		**31,732,305**	**35,784,308**
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	14	5,000	5,000
Capital contribution	14	3,600	3,600
Profit and loss account		4,134	3,731
TOTAL CAPITAL AND RESERVES	15(b)	**12,734**	**12,331**
TECHNICAL PROVISIONS FOR LINKED LIABILITIES	16	31,713,977	35,765,473
PROVISION FOR OTHER LIABILITIES AND EXPENSES	17	-	11
CREDITORS			
Other creditors	18	5,444	6,353
ACCRUALS AND DEFERRED INCOME		150	140
TOTAL LIABILITIES		31,719,571	35,771,977
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**31,732,305**	**35,784,308**

The financial statements on pages 13 to 35 were approved by the Board of Directors and signed on its behalf on 30 March 2023 by:

R Bridger
Director
04 April 2023

The accompanying notes 1 to 22 form an integral part of these financial statements.

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Managed Pension Funds Limited for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 30 March 2023 and the balance sheet was signed on the Board's behalf by R Bridger.

Managed Pension Funds Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with applicable laws and Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the basis of the accounting policies set out below and comply with the special provisions relating to insurance groups in Schedule 3 to the Large and Medium-sized (Companies and Groups) Regulations 2008, made under the Companies Act 2006.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) IAS 1 paragraph 10(d) – statement of cash flow for the period,

(b) IAS 1 paragraph 38(a) – requirement for minimum of two primary statements, including cash flow statements,

(c) IAS 1 paragraph 111 – cash flow statement information,

(d) IAS 7 – statement of cash flow,

(e) IAS 8 paragraph 30-31 – new accounting standards that have been issued but are not yet effective,

(f) IAS 24 - the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and

(g) FRS 101 provides exemptions from the extensive disclosure requirements of IFRS 15. The paragraphs of IFRS 15 concerning disclosure requirements, from which FRS 101 reporters can be exempt, include paragraphs 113(a), 114, 115, 118, 119(a)–(c), 120–127 and 129.

In preparing these financial statements the directors have considered the impact of the physical and transition risks of climate change and identified this as an emerging risk, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2022. This is because the assets are reported at fair value under IFRS and as set out in note 10, therefore utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change on these investments. However, we recognise that government and societal responses to climate change risks are still developing and the future impact cannot be predicted. Future valuations of assets may therefore differ as the market responds to these changing impacts or assesses the impact of current requirements differently.

2. ACCOUNTING POLICIES (CONTINUED)

Going concern

In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the Company's solvency position and liquidity, and the latest forecasts (up to December 2024). These forecasts have been subject to sensitivity tests and operational resilience review (including continuity of the operations and client delivery). As a result of this review, the directors believe the Company has adequate resources to continue in operational existence over the going concern period assessed up to 31 December 2024. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. These estimates when made are based on historical experiences and various other assumptions that are believed to be reasonable and proportionate.

Management do not believe the financial statements have any key assumptions or material estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year that warrant specific disclosures. The basis and policies adopted for accounting of material items in the financial statements are described in the remaining part of this note.

Financial assets and liabilities

Measurement methods

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the income statement. Immediately after recognition, an expected credit loss ("ECL") is recognised in the income statement for financial assets measured at amortised cost and investment securities measured at fair value through other comprehensive income, which may result in an accounting loss being recognised when an asset is newly originated.

Financial assets – classification and subsequent measurement

The Company classifies financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL).

Investments – Other Financial Investments

The classification of debt instruments is described below.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, bonds and trade receivables. The classification and subsequent measurement of debt instruments depend on:

(i) The Company's business model for managing the assets

The business model reflects how the Company manages the assets in order to generate cash flows. The Company's business model assessment is based on the following categories:

- Hold to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Hold to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither hold-to-collect nor hold-to-collect and for sale.

2. ACCOUNTING POLICIES (CONTINUED)

Factors considered by the Company in determining the business model for a group of assets include past experience of how the cash flows for these assets were collected and how risks are assessed and managed. The liquidity portfolio assets are held by the Company as part of liquidity management and are generally classified within the hold to collect and sale business model.

(ii) The cash flow characteristic of the assets

The Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other lending risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

Based on these factors, the Company classifies its debt instruments into one of the following measurement categories.

- Amortised cost: assets that are hold for collection of contractual cash flows were those cash flows represent SPPI, and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described below.
- Fair value through other comprehensive income: financial assets that are hold for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and are not designated as FVTPL. Movements in fair value are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchanges gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on the debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss.

Valuation of investments and assets held to cover linked liabilities

Assets held to cover linked liabilities are held at fair value through profit or loss to back the underlying liabilities to which these relate. Fair value of quoted investments and holdings in collective investment schemes are based on bid price.

Derivative contracts are valued at market rates where available, or using independently verified model generated rates, and the gain or loss on these contracts is brought into the technical account.

To comply with the requirements of FRS 101, other financial investments, investments held to cover linked liabilities, and technical provisions for linked liabilities are further analysed in note 10 using a "Fair Value Hierarchy":

- Level 1 Investments - These are investments whose fair value is determined using observable, unadjusted quoted prices in active markets for identical assets. Active markets are markets in which transactions occur for the item to be fair valued with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Investments - These are investments whose fair value is determined using inputs other than quoted prices included within level 1 inputs that are observable, either directly or indirectly through corroboration with market data.
- Level 3 Investments - These are investments whose fair value is determined using inputs that are not observable, reflecting assumptions that the market participants may use in pricing an investment.

Financial liabilities – classification and measurement

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied. Financial liabilities are derecognised when they are extinguished.

2. ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised costs and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The Company measures ECL on each balance sheet date according to a three stage ECL impairment model:

- Stage 1 – from initial recognition of the financial asset to the date on which the asset has experience a significant increase in credit risk relative to its initial recognition, a loss allowance is equal to the credit loss expected to result from default occurring over 12 months following the reporting date.
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 – when the financial asset is considered to be credit impaired, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset. Interest and revenue is calculated based on the gross carrying amount of the asset, net of the loss allowance.

The measurement of the ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost and effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Technical provisions for linked liabilities

Linked liabilities are established by reference to the value of the underlying assets that are held to meet those liabilities. There is no reinsurance of linked liabilities. Unit-linked contracts are in effect investment contracts (i.e. do not involve the transfer of significant insurance risk) and are accounted for by using the 'deposit accounting' basis. Fees receivable from policyholders on such unit linked investment contracts are recognised as 'Other technical income' in the long-term business technical account.

Derecognition of financial assets

A financial asset or liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender at substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees are recognised in the long-term business technical account.

Revenue from contracts with policyholders

The amount of revenue that the Company recognises is measured based on the consideration specified in contracts with its policyholders, and excludes taxes collected from policyholders subsequently remitted to government authorities. The Company recognises revenue when a performance obligation is satisfied over time as the services are performed or at a point in time depending on the nature of the services provided as further discussed below.
Contract durations may vary from short to long term or may be open ended. Termination notice periods are in line with general market practice and typically do not include termination penalties. Therefore for substantially all of the Company's revenues, the duration of the contract and the enforceable rights and obligations do not extend beyond the services that are performed daily or at the transaction level. In instances where there are substantive termination penalties, the duration of the contract may extend through the date of substantive termination penalties.

Investment management revenue from contracts with policyholders related to investment management, investment research and investment advisory services provided is recognised over time as policyholders benefit from the services as they are performed. Substantially all of the investment management fees are determined by the value of assets under management and the investment strategies employed. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of the Company's control. Payments made to third party service providers, such as payments to others in unitary fee arrangements, are generally recognised on a gross basis when the Company controls those services and is deemed to be a principal in such transactions.

2. ACCOUNTING POLICIES (CONTINUED)

Investment income
Investment income and expenses include dividends, interest, realised gains and losses on investments and related expenses. Dividends are included as investment income on the date that shares become quoted ex-dividend. Interest is included on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost. Investment income and expenses attributable to long-term business are included in the long-term business technical account. Other investment income and realised gains are included in the non-technical account.

Unrealised gains and losses on investments are calculated as the difference between the carrying value of investments at the balance sheet date and their purchase price, or if these had been earlier fair valued, their respective opening fair value. Movements in unrealised gains and losses recognised in the year comprise the increase/decrease in the accounting period in the value of investments held at the balance sheet date and the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Other technical income, net of reinsurance
This represents fees charged to policyholders for investment management services and policy administrations. The fees are recognised net of value added tax and rebates when the related services are provided. Unbilled fees are accrued for and from history deviations of accruals from the actuals are considered immaterial.

Investment and net operating expenses
Investment and net operating expenses are recognised on an accruals basis. These expenses are embedded costs and other related expenses that are suffered by policyholders in the unit linked funds. They also include expenses paid to SSGA in relation to the outsourcing of the investment management process. A relatively immaterial portion of these expenses relates to underlying direct administrative expenses.

Foreign currencies
The Company's presentational and functional currency is sterling. Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the balance sheet date. Non-monetary items denominated in a foreign currency, measured at fair value, are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Current tax
The taxation charge in the technical account is based on the method for assessing taxation for long-term funds applicable in the United Kingdom. The balance transferred from the long-term business technical account is grossed up by the amounts charged to the long-term business technical account in respect of UK corporation tax and deferred tax. The taxation charge in the non-technical account is based on the taxable profits for the year.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits in the future against which the asset can be offset. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

Dividends
Interim dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the directors. Final dividends are deducted from equity when they are approved by written resolution passed by the shareholders. Equity that is distributable comprises accumulated realised profits and the capital contribution reserve.

2. ACCOUNTING POLICIES (CONTINUED)

Securities lending and collateral accepted

The Company is a party to securities lending arrangements under which securities are loaned to third-party financial institutions. The loaned securities are not removed from the Company's Statement of Financial Position but continue to be recognised within the assets held to cover linked liabilities. The income from this arrangement attributable to policyholders are recognised as investment income in the Income Statement. The Company's policy is that collateral assets of a quality equivalent to FRS 101 Level 1 or 2 are required. These collateral assets are to be at least 102% of the fair value of securities loaned and held off balance sheet (note 21).

3. SEGMENTAL INFORMATION AND RECONCILIATION TO MOVEMENT IN ASSETS HELD TO COVER LINKED LIABILITIES

The Company's main source of income derives from the provision of unit-linked investment management policies for occupational pension schemes substantially registered in the United Kingdom. As a result no analysis by business type or geographical segment is provided. All income arises from continuing activities.

Contributions received and analysed below relate wholly to ongoing and new pension business written substantially in the United Kingdom.

	2022	***2021***
	£'000	***£'000***
Policyholder inflows		
Contributions	4,750,106	5,276,001
Policyholder outflows		
Redemptions	(4,751,063)	(6,623,125)
Net outflow of policyholder funds	(957)	(1,347,124)
Investment return on policyholder funds (net of all charges)	(4,050,539)	3,690,332
Changes in the value of assets held to cover linked liabilities	**(4,051,496)**	**2,343,208**

4. NET INVESTMENT RETURN

	2022	***2021***
	£'000	***£'000***
Technical account		
Other investment income	814,940	694,985
Gains on the realisation of investments	781,549	2,351,042
Investment income	1,596,489	3,046,027
Unrealised (losses) / gains on investments	(5,609,595)	676,057
Investment expenses	(8,399)	(8,703)
Net investment return	**(4,021,505)**	**3,713,381**
Non-technical account		
Investment income	97	4
Net investment return	**97**	**4**

5. NET OPERATING EXPENSES

	2022	*2021*
	£'000	***£'000***
Auditors' remuneration:		
Audit of the financial statements	118	98
Other administrative expenses	272	285
Direct administrative expenses	390	383
Management expenses paid to SSGA	9,857	11,508
Net operating expenses	**10,247**	**11,891**

Management expenses paid to SSGA comprises fees charged to policyholders of £10,607,000 (2021: £12,258,000) less fee retention of £750,000 (2021: £750,000).

6. STAFF COSTS AND DIRECTORS' REMUNERATION

The Company had no employees during the year. Fees are payable to two (2021: two) non-executive directors who served during the year. No other director is remunerated for their services as a director of the Company and no apportionment of emoluments has been made to the Company.
Non-executive directors' emoluments were as follows:

	2022	*2021*
	£'000	***£'000***
Aggregate emoluments in respect of qualifying services	93	85

7. TAXATION ON PROFIT

(a) Analysis of expense in the period	***2022***	***2021***
	£'000	***£'000***
Technical account		
UK Corporation tax at 19.00%	87	84
Overseas tax suffered	28,993	23,032
Deferred tax – current year	(11)	(11)
Impact of tax rate change on deferred tax	-	-
Tax attributable to the Long-term business	**29,069**	**23,105**
Non-technical account		
UK Corporation tax at 19.00%	19	1
Tax expense attributable to the balance on long-term business technical account	76	72
Tax expense on profit	**95**	**73**

7. TAXATION ON PROFIT (CONTINUED)

(b) Factors affecting tax expense for period

	2022	***2021***
	£'000	***£'000***
Technical account		
Profit before tax	29,394	23,416
Profit before tax multiplied by the rate of corporation tax in the United Kingdom of 19.00%	5,585	4,449
Effect of:		
Benefit of tax relief for overseas tax expensed	(5,509)	(4,376)
Overseas withholding taxes on investment income	28,993	23,032
Impact of tax rate change	-	-
Tax attributable to the Long-term business	**29,069**	**23,105**

	2022	***2021***
	£'000	***£'000***
Non-technical account		
Profit before tax	498	387
Profit before tax multiplied by the rate of corporation tax in the United Kingdom of 19.00%	95	73
Impact of tax rate change	-	-
Tax expense on profit	**95**	**73**

(c) Deferred taxation	***2022***	***2021***
	£'000	***£'000***
Deferred tax liability at start of year	11	22
Deferred tax release to profit and loss account for the year	(11)	(11)
Deferred tax liability at end of year (see note 17)	-	11
Deferred taxation included in the balance sheet is made up of:		
Origination and reversal of short term timing differences	-	11

(d) Tax Legislation Changes

Changes to the regime for taxing UK life insurance companies were made with effect from 1 January 2013. The transitional adjustment calculated in 2012 is being released over the 10 years from 2013 to 2022. This adjustment was as a result of the change from reference to the Company's regulatory surplus / deficit to its profit / loss reported in its statutory financial statements.

7. TAXATION ON PROFIT (CONTINUED)

(e) Tax Rate Changes

The main rate of corporation tax for the current financial year is 19%. During 2021, legislation to increase the main rate of UK corporation tax from 19% to 25% from 1 April 2023 was enacted.

As the deferred tax balance unwound at the end of 2022, deferred tax has been calculated based on a 19% rate.

The Company has no unrelieved trading losses carried forward and other temporary differences.

8. DIVIDENDS

The directors have not proposed a final dividend.

9. OTHER FINANCIAL INVESTMENTS

	2022	***2021***
	£'000	***£'000***
Market value		
Investment in SSGA Liquidity Fund and Seed in MPF unit-linked funds	11,655	11,500
Cost		
Investment in SSGA Liquidity Fund and Seed in MPF unit-linked funds	11,622	11,469

The above financial investments are classified as "fair value through profit or loss". Out of the total market value, £10.88 million (2021: £10.73 million) are holdings in SSGA Liquidity Fund and the remaining £0.77 million (2021: £0.77 million) are seed investments in the Company's unit-linked funds. The holdings in SSGA Liquidity Fund are classified as Level 1 and the holdings in seed investment are classified as Level 2 under the "Fair Value Hierarchy" described in note 2.

10. ASSETS HELD TO COVER LINKED LIABILITIES

Assets held to cover unit-linked liabilities can be classified at the following levels for investments held under the "Fair Value Hierarchy" described in note 2:

	2022	***2021***
	£'000	***£'000***
Level 1	26,295,701	24,227,071
Level 2	5,600,597	11,286,666
Level 3	2,221	139,943
Net sundry payable/receivables of the unit-linked funds	(184,542)	111,793
	31,713,977	**35,765,473**

Reconciliation on movement of assets classified as level 3 has not been provided as their value is deemed to be immaterial.

11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022	*2021*
	£'000	*£'000*
Amounts due from policyholders - fee premiums	3,328	4,348
Debtors arising out of direct insurance operations	**3,328**	**4,348**

12. OTHER DEBTORS

	2022	*2021*
	£'000	*£'000*
Prepayments	20	22
Amounts owed from other group undertakings	4	2
Other Debtors	**24**	**24**

13. CASH AND CASH EQUIVALENTS

	2022	*2021*
	£'000	*£'000*
Cash at bank and in hand	3,321	2,963

14. AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID SHARE CAPITAL AND RESERVES

	2022	*2021*
	£'000	*£'000*
Authorised, allotted and fully paid		
5,000,000 ordinary shares of £1 each	5,000	5,000
Capital contribution		
Non-reciprocal transfers	3,600	3,600

15. CAPITAL STATEMENT

(a) Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of financial stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
- To retain financial flexibility by maintaining strong liquidity; and
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.

15. CAPITAL STATEMENT (CONTINUED)

(a) Capital management objectives, policies and approach (continued)

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and inability through insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, both available capital and capital requirements are measured using the rules implementing the Solvency 2 regime, as contained in Rules made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000, in the Solvency II Regulations 2015 (SI 2015/575) and in Delegated Regulation (EU) 2015/35 of the European Parliament and of the Council as incorporated into UK regulation with effect from 31 December 2020 with amendments effected by UK statutory instrument. Regard is also had to relevant Guidelines and Regulatory Q&A issued by EIOPA as at 31 December 2020, to the extent they are adopted in the UK.

The Company's approach to managing capital involves managing assets, liabilities and risks in a co-ordinated way, assessing differences between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The capital requirements are routinely forecasted on a periodic basis and assessed against the forecast available capital. The process is ultimately subject to approval by the Board.

The PRA's Rules and the Solvency 2 Delegated Regulation set out the qualitative and quantitative requirements for the calculation of the technical provisions and Solvency Capital Requirement ("SCR") using either a standard formula set out in the Delegated Regulation or an internal model developed by an insurance or reinsurance company and approved by the PRA under the Solvency II Regulations 2015. The Company calculates its SCR using the standard formula. The PRA is able to add a capital add-on to the calculated SCR if it considers it necessary. The Company is not currently subject to any such capital add-on.

The SCR is intended to be the Value-at-Risk of the basic own funds (i.e. the value of assets less liabilities) of an insurance or reinsurance undertaking subject to a confidence level of 99.5% over a one year period. The PRA will intervene if a firm fails to cover the SCR.

In addition to the SCR, a Minimum Capital Requirement ("MCR") must be calculated.

The MCR is the Value-at-Risk of the basic own funds of the Company and is intended to represent a confidence level of 85% over a one-year period. The MCR is a function of the SCR, which produces an MCR between 25% and 45% of the SCR including any add-on (per Article 248(2) of the Solvency 2 Delegated Regulation), but subject to a reviewable monetary minimum set by PRA rules.

The SCR must be recalculated at least annually and the MCR at least quarterly, and reported to the PRA on a quarterly basis through the Company's Quantitative Reporting Templates ("QRTs") submissions.

The Solvency 2 rules require management to perform a thorough assessment of the quality of governance, internal controls, and risk management and to produce an ORSA report for the PRA. Management have to assess capital requirement as part of the ORSA process. The Company has developed an ORSA framework under the Solvency 2 rules to identify the risks and quantify their impact on the economic capital.

The effective capital requirement of the Company is the higher of the SCR and the capital assessed from the Company's ORSA and based on the most recent performed ORSA, the capital requirement defaults to its SCR.

The Company uses a simplified approach using a short projection period (being the first point at which the Company has the unilateral right to terminate clients' policies) to calculate its technical provisions for capital adequacy purposes. The Company considers that the use of a short projection period is appropriate and proportionate to its circumstances. This approach has been confirmed by the PRA as an acceptable simplification for the Company to use provided that the conditions of Article 56(4) of the Solvency 2 Delegated Regulation are met.

15. CAPITAL STATEMENT (CONTINUED)

(a) Capital management objectives, policies and approach (continued)

Using a short projection period the cashflows in respect of existing premiums are projected until the point at which the Company has a unilateral right to terminate clients' policies as compared to the use of a long projection period. The technical provisions are derived for capital adequacy purposes as the face value of the units less the best estimate of the Value-of-In-Force plus a risk margin. The terms of the fee agreement between the Company and SSGA are such that the fee retained by the Company would be revised if this was necessary to ensure the Company "retains sufficient funds to cover its day-to-day operational costs and capital requirements".

The consequence of this is that the increase in risk margin that would result from using a longer projection term would be offset by a corresponding increase in the Value of In-Force as in these circumstances the Company would exercise its right to retain more fees in order to cover its increased capital requirements. As such, use of a short projection period is an acceptable simplification in the Company's circumstances. This approach is reviewed and assessed at least annually to ensure the Company continues to meet the requirements of Article 56(4) of the Solvency 2 Delegated Regulation.

It is the policy of the Company to hold at least 210% of its last assessed capital requirement under the Solvency 2 rules.

(b) Analysis of regulatory capital resources

The below table shows capital resource requirements (SCR and MCR) based on year end reports submitted to the PRA.

	2022	***2021***
	£'000	***£'000***
	unaudited	*unaudited*
Total Assets	31,732,305	35,784,308
Total Liabilities	(31,719,571)	(35,771,977)
Capital resource before Solvency 2 adjustments	**12,734**	**12,331**
Value-in-force	114	116
Risk Margin	(249)	(286)
Valuation of other liabilities	-	11
Capital resource under Solvency 2	12,599	12,172
SCR	4,460	4,936
Surplus capital	**8,139**	**7,236**
MCR	3,445	3,126
Solvency ratio based on SCR	**282%**	**247%**

16. TECHNICAL PROVISIONS FOR LINKED LIABILITIES

The movement in technical provisions for linked liabilities during the year was as follows; please note investment return is disclosed net of associated investment expenses and overseas withholding taxes:

	2022	*2021*
	£'000	*£'000*
At 1 January	35,765,473	33,422,265
Contributions	4,750,106	5,276,001
Redemptions	(4,751,063)	(6,623,125)
Investment return	(4,013,147)	3,722,067
Investment expenses	(8,399)	(8,703)
Overseas withholding taxes	(28,993)	(23,032)
At 31 December	**31,713,977**	**35,765,473**

The fair value hierarchy of the technical provisions for linked liabilities follow those for the unit linked assets as disclosed in note 10. Fees receivable from policyholders on such unit linked investment contracts are recognised as 'Other technical income' in the Technical account - long term business.

17. PROVISION FOR OTHER LIABILITIES AND EXPENSES

	2022	*2021*
	£'000	*£'000*
Deferred tax	-	11

From 1 January 2013, the transitional adjustment deferred tax liability reversed over a transitional period of 10 years.

The credit in the year of £11,000 (2021: credit of £11,000) comprises a tax credit of £11,000 in respect of the release of a tenth of the transitional adjustment.

18. OTHER CREDITORS

	2022	*2021*
	£'000	*£'000*
Amounts owed to other group undertakings	3,370	4,374
Amounts due to policyholders	1,991	1,920
Trade creditors	2	8
Corporation Tax	81	51
Other Creditors	**5,444**	**6,353**

19. RELATED PARTY TRANSACTIONS

The Company has entered into an agreement with SSGA, a Company registered in England and Wales and also a member of the Group for the provision of investment management, sales, marketing, administration and support services. The cost to the Company for the provision of these services during the year ended 31 December 2022 as disclosed in note 5 was £9.9 million (2021: £11.5 million). The amount due to SSGA at 31 December 2022, included within these financial statements, was as follows:

	2022	***2021***
	£'000	***£'000***
Amounts owed to other group undertakings (see Note 18)	3,370	4,374
Amounts included within assets held to cover unit-linked liabilities	1,498	1,838
	4,868	**6,212**

The investments held within SSGA Liquidity Fund as stated in note 9 above form part of related party transactions. SSGA Liquidity Fund is sub-fund of SSGA Liquidity Plc., a fellow Group undertaking of the Company which is registered under the laws of Ireland as a public limited company.

The Company does not have any employees and there are no key management personnel.

20. PARENT AND ULTIMATE PARENT UNDERTAKING

Since 8 June 2017, the immediate holding company of the Company is SSGA Inc. The ultimate Parent company remains State Street Corporation ("SSC"), a company incorporated in the Commonwealth of Massachusetts, in the United States of America. Copies of the SSC consolidated financial statements can be obtained from 1 Lincoln Street, Boston, Commonwealth of Massachusetts, United States of America.

21. RISK MANAGEMENT

(a) Governance framework

The Board members are responsible for overseeing the prudent and sound management of the Company and exercising their business judgment in what they believe to be in the best interests of the Company, its shareholders and policyholders. They are responsible for complying with their statutory and fiduciary duties in the interests of the Company and ensuring that the business affairs of the Company are adequately monitored and controlled. The Board's role and responsibilities are defined within the Board's Terms of Reference. Specific responsibilities are allocated by the Chairman amongst the Board members in accordance with the senior management arrangements, systems and controls ("SYSC") policy statement applicable to Group entities operating and regulated in the UK. Members of senior management and the Board may also have additional reporting lines to members of senior management of SSC.

The Board comprises senior management from across the main business functions and two non-executive directors, including the Chairman. The Board serves to ensure that appropriate strategies, policies and guidelines are implemented across the business. The Board holds regular meetings to facilitate and ensure that a common communication platform is in place; to enable regular reporting of company-specific information and updates to the Board; and thereby allowing appropriate Board challenge and oversight. Board meetings are also attended by individuals from Finance, Compliance, Legal and Risk to present updates and be challenged by the Board.

21. RISK MANAGEMENT (CONTINUED)

(a) Governance framework (continued)

The Board delegates some of its responsibilities to the Working Group. The Board Terms of Reference recognises that the Working Group is designed to "assist and support the Board in key strategic matters, review business activities and risks and provide support in certain matters". In turn, the Working Group delegates day to day management responsibilities to business line managers and governance committees within SSGA.

The Board also delegates certain responsibilities to the MPFL Audit Committee. The key responsibilities are the reviewing of the annual report and financial statements and the annual regulatory reports and the related Actuary's and Auditor's reports and the Company's solvency position, and recommending the appointment of the Company's Auditor and Actuary.

There is also a Nominations Committee which the Board has delegated among other things, the responsibility of evaluating the composition of the Board, recommending the appointment of new directors and assessing the continued independence of non-executive directors.

The Company maintains a clearly defined governance structure to ensure that issues are escalated in accordance with materiality to the appropriate level of decision making. Members of senior management provide reports on the activities conducted within the Company to the Working Group through business line management reporting and to the Board. Members of senior management and the Board may also have additional reporting lines to senior management of State Street Bank & Trust Company ("SSBTC") or SSC.

The Company engages with Willis Towers Watson who provides an outsourced actuarial service to the Company that includes on-going support including inputs and reviews of the Solvency 2 reporting, advice to the Board on any relevant emerging risks that might impact the Company's ability to meet policyholder liabilities as they fall due. Willis Towers Watson monitors those risks via management information provided by the Company, attendance at Board meetings and discussions with key personnel including its ongoing interaction with Enterprise Risk Management.

As part of the SSC Group, the Company is subject to adherence with Group risk management policies and procedures. The Company and its business functions are also subject to internal audit as part of the Group Audit programme as well as examination by the PRA, and other regulatory authorities. Group Internal Audit function independently examines and reports to the Audit Committee, on the adequacy of the Company's risk management and governance and the effectiveness of its internal controls processes.

(b) Risk assessment

The Company is exposed to a range of risks through its business activities.

(1) Insurance risk

Insurance risk refers to the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Although the policy contracts sold by the Company do not insure against any traditional insurance risks, the contracts do include an option for the policyholder to take out an annuity on non-guaranteed terms. In practice the Company does not market the availability of annuity products and any annuities actually offered would be un-competitively priced (and if a policyholder insisted on taking out an annuity, the Company would reinsure the risk).

In connection with the development of the Company's retirement income products there is an assumption that no annuities will be held within the unit-linked funds. Certain defined contribution linked funds would hold some investments (mainly bonds) expected to match the pricing of annuities and, at retirement, the units reflecting those investments can be sold by the policyholder and the proceeds used to purchase an annuity held in the policyholder's name.

Each policyholder enters into a policy with the Company that states that should they elect an annuity, the Company would, in practice, find another insurance company to provide such investment option to the client, and any transfer of amount payable would be actioned as soon as possible.

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(2) Expense risk

There is a risk that, for varying reasons, the direct administrative expenses of the Company increase from the current expected level of approximately £390,000 per annum. However, in accordance with the IMA, the retained fee income of £750,000 per annum can be increased with SSGA, and therefore the expense risk has been assessed as zero. Historical practice has shown that the retained fee income can be increased within a short time frame and quickly agreed within the Company via ad-hoc Board meetings.

(3) Financial risk

The Company assumes a variety of financial risks in conducting its business activities. The nature of the unit-linked policy contracts passes all such risks assumed in respect of the Company's unit-linked funds to the policyholder. The exception to this occurs when the Company deviates from the agreed investment policy. The risk of such deviation is assessed as part of operational risk borne by other Group entities.

The financial risks that remain with the Company relate to its investments or assets that are not classified as unit-linked. The Company institutes various measures and policies to ensure these risks are at an acceptable level.

(i) Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Company relating to assets held.

The Company is exposed to credit risk on the following non-linked assets held on the balance sheet:

	2022	***2021***
	£'000	***£'000***
Other financial investments	11,655	11,500
Debtors arising out of direct insurance operations - policyholders	3,328	4,348
Other debtors	24	24
Cash at bank and in hand	3,321	2,963
Total	**18,328**	**18,835**

The majority of the Company's other financial investments are holdings in SSGA Liquidity Fund. This fund is a highly liquid fund with AAA Standard & Poor's credit ratings, therefore the risk of default is considered to be minimal.

The risk of default on the policyholder receivables is mitigated due to the ability to compulsorily redeem policyholder units to recover the fees (although such redemption would require senior management's approval). In the event of any fee premiums being irrecoverable in this manner, under the terms of the investment management agreement with SSGA, the equivalent amounts due to SSGA would be cancelled. To enhance the risk mitigation, a process has been put in place that will retain fee income ultimately payable to SSGA in respect of any amounts owed, so this risk falls on SSGA.

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(3) Financial risk (continued)

(ii) Market risk (including interest rate risk, price risk and foreign currency risk)

The table below provides analysis of non-linked assets exposed to credit risk by credit ratings (Standard & Poor's ratings used).

	2022	***2021***
	£'000	***£'000***
AAA	11,588	11,426
AA	2,023	1,986
A	1,318	1,017
Not rated	3,399	4,406
Total	**18,328**	**18,835**

At both year ends, the Company had seed capital invested in MPFL Timewise Target Retirement Sub-Fund. This seed investment is currently not rated by Standard & Poor's. The debtor amounts are also disclosed as not rated.

Market risk can be defined as the current or prospective risk to earnings or capital arising from changes in interest rates, foreign exchange rates and commodity prices or security prices.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher or reduced income from the Company's interest-bearing financial assets. The Company does not hold interest bearing liabilities. Interest rate risk on investments held in respect of linked liabilities to policyholders under investment contracts are borne by the policyholders. The Company's non-linked portfolio as analysed below is subject to interest rate risk. The change may impact the interest earned or the unrealised gains or losses on valuation that are reported as part of the investment income.

Other financial investment	***2022***	***2021***
	£'000	***£'000***
Investment type		
Cash Liquidity	11,588	11,426
Equity	67	74
	11,655	**11,500**

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(3) Financial risk (continued)

(ii) Market risk (including interest rate risk, price risk and foreign currency risk) (continued)

Price risk

Price risk arising on unit-linked funds is borne by policyholders. If the value of the unit-linked funds fell then there would be a fall in the income received from those funds. However, unless the fall in asset values was extreme (around 90%), this would have no direct impact on the financial position of the Company as the level of retained fee income would be unchanged and expenses not defined by reference to fee income would be unaffected.

Foreign currency risk

Currency risk within the unit-linked funds is borne by policyholders. The Company manages its risk by setting investment guidelines to ensure currency risk is within tolerable limits for each unit-linked fund. The risk is considered to be immaterial in relation to the non-linked business which has very limited exposure to foreign currency arising from debtor balances. Although the exposure in the debtor balances is very limited, gains or losses will be offset by change in the amount due to SSGA.

(iii) Liquidity risk

Any liquidity risk arising on the unit-linked funds is borne by policyholders. The Company has minimal liquidity requirements, primarily relating to its ongoing operational expenses and tax liabilities. Cashflows are actively managed with surplus cash held in highly liquid and regulated SSGA Liquidity Fund to ensure the Company's liabilities can be settled as they fall due.

Contractual maturity of non-linked investments

	2022	***2021***
	£'000	***£'000***
Other financial investments		
On demand	11,655	11,500
Total	**11,655**	**11,500**

Should any liquidity shortfall arise by the Company as part of its normal business and liquidity management process, this shortfall is promptly actioned and provided by SSBTC or SSC as the ultimate Parent of the Company.

Securities lending and collateral accepted

The Company's unit-linked funds participate in the State Street securities lending programme, which covers equity and fixed income assets around the world, providing the potential to generate incremental returns for investors in a risk-controlled manner. The lending to which State Street acts as a lending agent for the Company is collaterised by non-cash collateral, which provides coverage of 102%-110%. It is marked to market on a daily basis. Collateral types and collateralisation levels are under continual review based on prevailing market conditions. The Company benefits from a counterparty default indemnity from State Street Bank & Trust Company ("SSBTC") pursuant to its Securities Lending Authorisation Agreement.

As of 31 December 2022 balance sheet securities on loan totalled £1.77bn (2021: £2.00bn) with related collateral of £1.90bn (2021: £2.11bn).

21. RISK MANAGEMENT (CONTINUED)

(b) Risk assessment (continued)

(4) Policyholders investment risk

With the exception of operational errors and fraud, all investment risk arising on unit-linked funds is borne by policyholders. Inherent risks associated with the unit-linked funds are also explained in the policyholder disclosures. The Company through its outsourced service providers has key processes and controls in place, in addition to the governance structure described earlier to minimise this risk. The outsourced service providers within the Group adopt SSC's global remuneration policy. The policy is designed to discourage excessive risk-taking and incorporates measures aimed at avoiding conflicts of interest.

The Company also requires that all investments are made in accordance with the relevant investment guidelines and the Permitted Links rules contained within Chapter 21 of the Conduct for Business Sourcebook of the FCA Handbook. These requirements are strengthened by the 'Prudent Person Principle' introduced by Solvency 2, and the Company requires persons responsible for the investment of assets or holding other Key Functions within the Company, to be familiar with and abide by this principle at all times.

The SSGA Counterparty Risk Policy is executed by SSGA's Counterparty Risk Management ("CRM") team. The CRM team provides independent oversight and analysis of trading counterparties. The goal is to mitigate credit risk and protect against potential loss arising from trading and business relationships with financial institutions. Loss could arise from uncollateralised mark-to-market exposure or replacement of an unsettled trade upon a counterparty failure. The CRM team is also responsible for timely and comprehensive exposure reporting for all counterparties and instruments traded globally, inclusive of the Company's business. As part of its core duties, the CRM team engages with various SSGA teams, including portfolio managers, traders, Legal, Compliance, IT, and other risk teams.

22. EVENTS AFTER THE BALANCE SHEET DATE

There are no events to disclose.