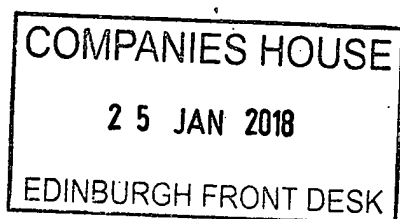


# ST ANDREW'S LIFE ASSURANCE PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017



Member of Lloyds Banking Group plc

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**COMPANY INFORMATION**

**Board of Directors**

S Lowther\*  
R J McIntyre\*  
J C S Hillman\*

\* denotes Executive Director

**Company Secretary**

A D Yuille

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

**Registered Office**

33 Old Broad Street  
London  
England  
United Kingdom  
EC2N 1HZ

**Company Registration Number**

03104670

**STRATEGIC REPORT**

The Directors present their strategic report on St Andrew's Life Assurance Plc ("the Company") for the year ended 31 December 2017.

**Principal Activities and Insurance Business Transfer Scheme**

The principal activity of the Company was the undertaking of ordinary long-term insurance and savings business and associated investment activities in the United Kingdom. The Company managed a wide range of life insurance products such as protection, whole life and investment type products through the LBG network. The Company also reinsured business with other LBG companies and with insurance entities external to LBG. On 26 November 2015, the High Court of Justice approved the transfer of the long-term insurance business of the Company to Scottish Widows Limited ("SWL"), pursuant to an insurance business transfer scheme, under Part VII of the Financial Services and Markets Act 2000.

At 31 December 2015, all of the business assets and liabilities of the Company were transferred, save for a minimum of assets which were held back to cover the regulatory minimum capital requirements. The Company was de-authorised on 7 September 2016. During 2017 it was confirmed that the residual assets remaining in the Company were no longer required to be held and these were transferred to SWL as described in note 14. The Company has ceased trading.

**Result for the Year**

The result of the Company for the year ended 31 December 2017 is a loss after tax of £3,170,793 (2016: profit after tax of £13,454) including a loss before tax on transfer of business assets of £3,173,782 (2016: nil), see note 14.

**Key Performance indicator**

The Directors are of the opinion that the information presented in the financial statements as a whole provides the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

*Other Sources*

The development, performance and position of the Insurance and Wealth Division of LBG are presented in the LBG annual report, which does not form part of this report. Further information on the Insurance and Wealth Division is set out in note 12.


**Outlook**

The intention is to have the Company wound up as part of an LBG project to reduce the number of companies within the group. Following the transfer of residual assets to SWL, the Company has ceased trading. Accordingly, the going concern basis of accounting is not appropriate, and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements.

**Principal risks and uncertainties**

Risks associated with the business were transferred to SWL under the Insurance Business Transfer Scheme in 2015. Limited business risk remains in the Company at 31 December 2017 in relation to financial risks as set out in note 12.

On behalf of the Board of Directors



R J McIntyre  
Director  
17 January 2018

**DIRECTORS' REPORT****Principal activities**

The Directors present the audited financial statements of the Company whose principal activity was the undertaking of ordinary long-term insurance and savings business and associated investment activities in the United Kingdom. The Company is a public company, limited by shares. Following de-authorisation and the transfer of the residual assets remaining to SWL the Company has ceased trading. The intention is to have the Company wound up as part of an LBG project to reduce the number of companies within the Group.

**Results and dividends**

The result of the Company for the year ended 31 December 2017 is a loss after tax of £3,170,793 (2016: profit after tax of £13,454). The Directors consider the result for the year to be satisfactory in light of these factors; further information can be found in the Strategic Report.

The Directors do not recommend the payment of a final dividend for the year (2016: nil).

**Directors**

The names of the current Directors are listed on page 3. There have been no changes in directorships during the year and up until the date of approving the financial statements.

Particulars of the Directors' emoluments are set out in note 13.

LBG has granted to the Directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. The indemnity remains in force for the duration of a Director's period of office.

The deed indemnifies the Directors to the maximum extent permitted by law. The Deed for existing Directors is available for inspection at the registered office of LBG. In addition, the Company has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

**Disclosure of information to auditors**

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

**Political contributions**

During the year, the Company made no political contributions (2016: £nil).

**Going Concern**

The intention is to have the Company wound up as part of an LBG project to reduce the number of companies within the group. Accordingly, the going concern basis of accounting is not appropriate, and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. Further information can be found in the Strategic Report.

**Financial risk management**

Disclosures relating to financial risk management are included in note 12 to the accounts and are therefore incorporated into this report by reference.

**DIRECTORS' REPORT (CONTINUED)****Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

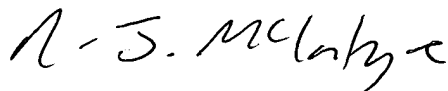
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board of Directors



R J McIntyre

Director

17 January 2018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ST ANDREW'S LIFE ASSURANCE PLC****Report on the audit of the financial statements****Opinion**

In our opinion, St Andrews's Life Assurance Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with *International Standards on Auditing (UK)* ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

**Emphasis of matter - Basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation. The Directors of the Company have taken the decision to wind up the Company as part of an LBG project to reduce the number of companies within the group. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. Adjustments have been made in these financial statements to reduce assets to their realisable values.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

**Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF ST ANDREW'S LIFE ASSURANCE PLC  
(CONTINUED)**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit****Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of this report**

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Other required reporting****Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Claire Turner (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
17 January 2018



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
<b>Revenue</b>			
Investment income	3	4,572	16,818
<b>Total revenue</b>		<b>4,572</b>	<b>16,818</b>
<b>Expenses</b>			
Finance Cost	4	(870)	-
		(870)	-
Loss on transfer of business	14	(3,173,782)	-
		(3,173,782)	-
<b>Total expenses</b>		<b>(3,174,652)</b>	<b>-</b>
<b>(Loss)/Profit before tax</b>		<b>(3,170,080)</b>	<b>16,818</b>
Taxation charge	6	(713)	(3,364)
<b>(Loss)/Profit for the year</b>		<b>(3,170,793)</b>	<b>13,454</b>

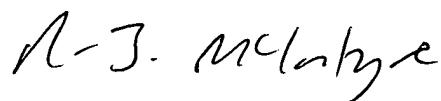
There are no items of comprehensive income which have not already been presented in arriving at the loss for the year. Accordingly, the loss for the year is the same as total comprehensive income for the year.

The notes set out on pages 13 to 21 are an integral part of these financial statements.

**BALANCE SHEET AS AT 31 DECEMBER 2017**

		<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Loans and receivables	7	1	-
Investments at fair value through profit or loss	8	-	3,173,096
Cash and cash equivalents		-	1,062
<b>Total assets</b>		<b>1</b>	<b>3,174,158</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to Company's equity shareholder</b>			
Share capital	9	360,000,000	360,000,000
Accumulated losses		(359,999,999)	(356,829,206)
<b>Total equity</b>		<b>1</b>	<b>3,170,794</b>
<b>Current Liabilities</b>			
Current tax liabilities	10	-	3,364
<b>Total liabilities</b>		<b>-</b>	<b>3,364</b>
<b>Total equity and liabilities</b>		<b>1</b>	<b>3,174,158</b>

The financial statements on pages 9 to 21 were approved by the Board of Directors on 17 January 2018 and signed on its behalf by:



R J McIntyre  
Director

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
<b>Cash flows from operating activities</b>			
(Loss)/Profit before tax		(3,170,080)	16,818
Adjusted for:			
Finance cost		870	-
Net movements in operating assets and liabilities	11	3,173,095	(15,756)
Taxation paid	6	(4,077)	-
<b>Net cash (outflows)/inflows from operating activities</b>		<b>(192)</b>	<b>1,062</b>
<b>Cash flows from financing activities</b>			
Overdraft interest paid		(870)	-
<b>Net cash flows from financing activities</b>		<b>(870)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,062)</b>	<b>1,062</b>
Cash and cash equivalents at the beginning of the year		1,062	-
<b>Net cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>1,062</b>

The notes set out on pages 13 to 21 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital £	Accumulated losses £	Total equity £
<b>Balance at 1 January 2016</b>	360,000,000	(356,842,660)	3,157,340
Profit for the year and total comprehensive income	-	13,454	13,454
<b>Balance as at 31 December 2016</b>	360,000,000	(356,829,206)	3,170,794
Loss for the year and total comprehensive expense	-	(3,170,793)	(3,170,793)
<b>Balance as at 31 December 2017</b>	360,000,000	(359,999,999)	1

The notes set out on pages 13 to 21 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****1. Accounting policies**

The accounting policies adopted in the preparation of the financial statements, which have been consistently applied to all periods presented in these financial statements unless stated otherwise, are set out below.

**(a) Basis of preparation**

The financial statements of the Company have been prepared:

- (1) in accordance with the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations issued by its IFRS Interpretations Committee ("IFRS IC"), as endorsed by the European Union;
- (2) in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs; and
- (3) under the historical cost convention.

The financial statements and its associated notes have been presented in £s. The comparative period figures in the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and their associated notes have been restated to £s as the financial statements were presented in £000's in the prior period.

The intention is to have the Company wound up as part of an LBG project to reduce the number of companies within the group. The cost of liquidating the accounts will be borne by SWL. Following the transfer of residual assets to SWL, the Company has ceased trading. Accordingly, the going concern basis of accounting is not appropriate, and the financial statements have been prepared on a basis other than going concern.

Adjustments have been made in these financial statements to reduce assets to their realisable values.

**Standards and interpretations effective in 2017**

There are no new standards and interpretations adopted in 2017 that will impact the financial statements.

**(b) Financial assets**

Management determines the classification of its financial assets at initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership.

All financial assets are designated at fair value through profit or loss except for loans and receivables held at amortised cost. No assets are classified as held-to-maturity or available-for-sale. For further details on the Company's fair value methodology see policy (d).

**(c) Revenue recognition****Investment income**

Interest income for all interest bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within investment income.

**(d) Fair value methodology**

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a "fair value hierarchy" as follows:

**(i) Level 1**

Valued using quoted prices (unadjusted) in active markets for identical assets and liabilities to those being valued. An active market is one in which arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****1. Accounting policies (continued)****(ii) Level 2**

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

**(iii) Level 3**

Valued using inputs for the asset or liability that include significant unobservable inputs (inputs not based on observable market data). Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability.

Further analysis of the Company's instruments held at fair value is set out at note 12.

**(e) Expense recognition****Finance costs**

Interest expense for all interest-bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within finance costs.

**(f) Investments at fair value through profit or loss**

During 2017 the Company transferred its remaining investments at fair value through profit or loss to SWL. Until the transfer date, investments at fair value through profit or loss comprised equity securities.

**Classification**

A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if designated as such.

**Recognition**

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty. Investments are initially recognised at fair value, being the fair value of the consideration given, and are subsequently remeasured at fair value.

**Measurement**

The fair values of investments are based on current bid prices. If the market for a financial asset is not active, and also for unlisted securities, the Company establishes fair value by using valuation techniques. These include the use of similar arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For equity investments that are quoted and actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the final pricing point on the reporting date. Prices are provided by vendors such as Reuters or Bloomberg or by direct reference to the Stock Exchange.

**(g) Cash and cash equivalents**

During 2017 the Company transferred its remaining cash and cash equivalents to SWL. Until the transfer date, cash and cash equivalents included cash at bank, short-term highly liquid investments with original maturities of three months or less (excluding such investments as otherwise meet this definition but which are held for investment purposes rather than for the purposes of meeting short-term cash commitments) and bank overdrafts where a legal right of set-off exists.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****1. Accounting policies (continued)****(h) Impairment****Financial assets**

The carrying value of all financial assets held at amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable fair prices and expected net selling prices. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

**Impairment process**

Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract;
- (iii) the disappearance of an active market for that asset because of financial difficulties; or
- (iv) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets since the initial recognition of those assets, even where the decrease cannot yet be identified with the individual assets of the Company, including:
  - adverse changes in the payment status of issuers or receivables; or
  - national or local economic conditions that correlate with defaults on the assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of assets with similar credit risk characteristics and collectively assesses them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

**(i) Taxes**

Tax on the profit or loss for the year is recognised in the statement of comprehensive income within taxation and comprises current and deferred tax.

**Current tax**

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, together with adjustments to estimates made in prior years.

**(j) Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

**(k) Transfer of residual assets to SWL**

Financial assets transferred to SWL were at fair value. Resultant gains or losses on transfer are recognised in the statement of comprehensive income.

**2. Critical accounting estimates and judgments in applying accounting policies**

There are no significant accounting estimates or judgements that have been used in the preparation of these financial statements.

**3. Investment income**

	2017 £	2016 £
Net income on investments designated at fair value through profit or loss	4,572	16,818
<b>Total</b>	<b>4,572</b>	<b>16,818</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****4. Finance Cost**

	2017 £	2016 £
Overdraft interest paid	870	-
<b>Total</b>	<b>870</b>	<b>-</b>

**5. Auditors' remuneration**

	2017 £	2016 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	2,000	2,000
<b>Total</b>	<b>2,000</b>	<b>2,000</b>

Audit fees for 2017 and 2016 were borne by another company within the group.

**6. Taxation charge****(a) Current year tax charge**

	2017 £	2016 £
Current tax charge:		
UK Corporation Tax	713	3,364
<b>Total current tax</b>	<b>713</b>	<b>3,364</b>

**(b) Reconciliation of tax charge**

	2017 £	2016 £
Loss/(Profit) before tax	3,170,080	(16,818)
Tax at 19.25% (2016: 20%)	(610,240)	3,364
Effects of:		
Loss on transfer of assets not deductible	610,953	-
<b>Total</b>	<b>713</b>	<b>3,364</b>

The Finance Act 2015 (No. 2) reduced the standard rate of Corporation Tax from 20% to 19% with effect from 1 April 2017.

**7. Loans and receivables**

	2017 £	2016 £
Amounts due from related parties	1	-
<b>Total</b>	<b>1</b>	<b>-</b>

None of the above balances are interest bearing (2016: none).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

## 8. Investments at fair value through profit or loss

	2017 £	2016 £
<b>At fair value:</b>		
Interest bearing and other variable yield securities	-	3,173,096
<b>Total investments at fair value</b>	-	3,173,096

During 2017 investments at fair value through profit or loss with a value of £3,173,096, were transferred to SWL, see note 14.

Due to the nature of interest bearing securities and investments in pooled investment funds, there is no fixed term associated with these securities.

## 9. Share capital

	2017 £	2016 £
Allotted, called up and fully paid share capital: 360,000,000 (2016: 360,000,000) ordinary shares of £1 each	360,000,000	360,000,000

## 10. Current tax liabilities

	2017 £	2016 £
Current tax liabilities	-	3,364
<b>Total tax liabilities</b>	-	3,364

## 11. Change in operating assets and liabilities

	2017 £	2016 £
<b>Decrease/(Increase) in operating assets:</b>		
Financial Assets:		
Loans and receivables	(1)	-
Investments at fair value through profit or loss	3,173,096	(15,756)
<b>Net decrease/(increase) in operating assets</b>	3,173,095	(15,756)
<b>Net decrease/(increase) in operating assets and liabilities</b>	3,173,095	(15,756)

## 12. Risk management

This note summarises the risks applicable to the Company and the way it manages those risks.

## (a) Governance framework

The Company is part of LBG, which has established a risk management function with responsibility for implementing the LBG risk management framework within the Company. This enterprise-wide risk management framework for the identification, assessment, measurement and management of risk covers the full spectrum of risks that the Company is exposed to, with risks categorised according to an approved LBG risk language. This covers the principal risks faced by the Company, including the exposures to legal, conduct, people, governance, operational and financial reporting risks.

The Company will remain part of the Insurance and Wealth Division until it is wound up. LBG's Insurance and Wealth Division comprises all legal entities involved in the sale or management of insurance, pension and investment products as well as the related holding and service companies. As part of the Insurance and Wealth Division, the Company is overseen by the Insurance Board and Insurance Audit Committee. Use of the terms "the Board" and "the Audit Committee" throughout this note refers to the responsibilities and actions carried by the Insurance Board and Audit Committee with involvement of the Company Board where required.

Responsibility for the setting and management of risk appetite and risk policy resides with the Board who manage risks in line with LBG and Insurance and Wealth Division risk policies. The Board has delegated operational implementation to the Insurance Risk Committee.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

**12. Risk management (continued)**

The risk management approach aims to ensure effective independent checking or “oversight” of key decisions by operating a “three lines of defence” model. The first line of defence is line management, who have direct accountability for risk decisions. The Risk function provides oversight and challenge and is the second line of defence. Internal Audit, the third line of defence, provide independent assurance to the Audit Committee and the Board that risks are recognised, monitored and managed within acceptable parameters.

Policy owners, identified from appropriate areas of the LBG and Insurance business, are responsible for drafting risk policies, for ensuring that they remain up-to-date and for facilitating any changes. Policies are subject to at least an annual review. Limits are prescribed within which those responsible for the day to day management of each Group company can take decisions. Line management are required to follow prescribed reporting procedures to the bodies responsible for monitoring compliance with policy and controlling the risks.

**(b) Risk appetite**

Risk appetite is the amount and type of risk that the Board is prepared to seek, accept or tolerate and is fully aligned to LBG strategy. The Board has defined the methodology for the management of risk appetite and approved a set of risk appetite statements. The risk appetite statements set limits for exposures to the key risks faced by the business. Risk appetite is reviewed at least annually by the Board. Risk appetite is set at an Insurance and Wealth Division level.

Policy owners, identified from appropriate areas across the business, are responsible for drafting the Insurance and Wealth Division risk policies, for ensuring that they remain up-to-date and for facilitating any changes. These policies are subject to at least an annual review, or earlier if deemed necessary. Limits are prescribed within which those responsible for the day to day management of the Company can make decisions. Line management are required to follow prescribed reporting procedures to the bodies responsible for monitoring compliance with policy and controlling the risks.

**(c) Financial risks**

The Company is exposed to a range of financial risks through its financial assets and financial liabilities, as set out below.

**1) Market risk**

Market risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. This risk typically arises from fluctuations in market interest rates (interest rate risk), market prices (equity and property risk), and foreign exchange rates (foreign exchange risk), whether such changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

As at 31 December 2017 there were no investment holdings as they were transferred to SWL during the year (2016: investment holdings were limited to an investment in a diversified fund).

Below is an analysis of assets and liabilities held at 31 December 2016 at fair value through profit or loss and assets and liabilities for which a fair value is required to be disclosed, according to their fair value hierarchy (as defined in note 1 (d)).

**As at 31 December 2016**

	Level 1 £	Fair value hierarchy		Total £
		Level 2 £	Level 3 £	
Investments at fair value through profit or loss:				
Equity securities	3,173,096	-	-	3,173,096
<b>Total</b>	<b>3,173,096</b>	<b>-</b>	<b>-</b>	<b>3,173,096</b>

**(i) Equity risk**

The exposure of the Company's business to equity risk relates to financial assets whose values will fluctuate as a result of changes in market prices other than from interest and foreign exchange fluctuations. This is due to factors specific to individual instruments, their issuers or factors affecting all instruments traded in the market. Accordingly, the Company monitors exposure limits both to any one counterparty and any one market.

As at the reporting date the Company held no equities (2016: no material sensitivity, due to fluctuations in market prices at the reporting date, to the fair value of future cash flows in respect of equities).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****12. Risk management (continued)****(ii) Interest rate risk**

The Company is exposed to interest rate risk to the extent that investments in investment funds are subsequently reinvested in interest bearing investments. Following the transfer of residual assets to SWL the Company no longer bears interest rate risk.

**2) Credit risk**

Credit risk is the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the failure of the party with whom the Company has contracted to meet its obligations.

Investment counterparty default risk arises primarily from holding invested assets.

**(i) Concentration risk***Credit concentration risk*

Credit concentration risk relates to the inadequate diversification of credit risk.

Credit risk is managed through the setting and regular review of counterparty credit and concentration limits on asset types which are considered more likely to lead to a concentration of credit risk.

As at 31 December 2017 there were no investment holdings (2016: investment holdings were limited to an investment in a diversified fund) and consequently the Company had no credit risk with a single counterparty or group of counterparties where limits apply (2016: no credit risk with a single counterparty or group of counterparties where limits apply).

**3) Financial soundness risk**

Financial soundness risk covers the risk of financial failure, reputational loss or loss of earnings and/or value arising from a lack of liquidity, funding or capital and/or the inappropriate recording, reporting or disclosure of financial, taxation and regulatory information.

**(i) Financial, tax and disclosure risks**

The Company is exposed to the risk that policies and procedures are not sufficient to maintain adequate books and records to support statutory and tax reporting and to prevent and detect financial reporting fraud.

The Company has developed procedures to ensure that compliance with both current and potential future requirements are understood and that policies are aligned to its risk appetite. The Company has established a system of internal controls, the objective of which is to provide reasonable assurance that transactions are recorded and undertaken in accordance with delegated authorities that permit the preparation and disclosure of financial statements and tax returns in accordance with IFRSs and statutory requirements.

The Company undertakes a programme of work designed to support an annual assessment of the effectiveness of internal controls over financial reporting, to identify tax liabilities and to assess emerging legislation and regulation.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its financial commitments as they fall due, or can secure them only at an excessive cost. However, the Company does not have any financial liabilities during 2017 (2016: nil) and so has no exposure to liquidity concentration risk.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****13. Related Party Transactions****(a) Ultimate parent and shareholding**

The immediate parent undertaking is Halifax Life Limited, a company registered in the United Kingdom.

The Company's ultimate parent company and ultimate controlling party is LBG, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. SWL is the parent undertaking of the smallest such group of undertakings for which group accounts are drawn up and of which the Company is a member. Copies of the SWL financial statements in which the Company is consolidated can be obtained from Insurance Secretariat, 69 Morrison Street, Edinburgh EH3 8YF. Copies of the LBG financial statements in which the Company is consolidated can be obtained from the Group Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

**(b) Transactions and balances between the Company and other companies in the LBG**

The Company has not entered into transactions with related parties during the year (2016: none) and there are no outstanding amounts due from or to related parties as at year end in 2017 (2016: none) other than the items disclosed below.

Relationship	2017		Payable at year end	Receivable at year end
	Income during year	Expenses during year		
	£	£	£	£
SWL	-	3,173,782	-	1

**Other transactions**

On the 15 July 2016 the Company's investment in the Aberdeen Asset Management managed Global Liquidity Fund plc ("GLF") was transferred into the Aberdeen Liquidity Fund (Lux) ("ALF"). At 31 December 2017 the Company's ultimate parent company did not hold a controlling interest in the ALF (2016: the Company's ultimate parent company did hold a controlling interest in the ALF). At 31 December 2016, under IFRS 10, the ALF was a fellow group undertaking and therefore a related party of the Company.

At 31 December 2017 the Company held investment in the ALF of £nil (2016: 3,173,096). Investment income of £4,572 (2016: £15,245) received from the ALF is included in investment income.

**Key Management Personnel**

A management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transaction the amounts incurred for the service paid or payable to the management entity that provides the key management personnel services.

As at 31 December 2017, the value of such services was £nil (2016: £nil).

**(c) Transactions between the Company and key management personnel**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are the Directors.

Key management personnel, as defined by IAS 24, are employed by a management entity.

**Key management compensation**

The Directors consider that they received no remuneration in 2017 or 2016 for their services to the Company.

During 2017 and 2016 no services were provided by members of key management of the Company to other companies within the LBG, no Directors accrued retirement benefits under defined contribution pension schemes, no money or assets accrued to Directors and key management under long term incentive schemes and no Directors exercised share options or received qualifying services shares under long term incentive schemes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)****14. Insurance Business Transfer Scheme**

On 26 November 2015, the High Court of Justice approved the transfer of the long-term insurance business of the Company to SWL pursuant to an insurance business transfer scheme, under Part VII of the Financial Services and Markets Act 2000. At 31 December 2015, all of the business assets and liabilities of the Company were transferred, save for a minimum of assets which were held back to cover the regulatory minimum capital requirements. The Company was de-authorised on 7 September 2016. During 2017 it was confirmed that the residual assets remaining in the Company were no longer required to be held and these were transferred to SWL. The Company has ceased trading.

The overall impact on IFRS accumulated losses of the Company was as follows:

	2017	2016
	£	£
Loss on transfer of business to fellow group undertaking (gross of tax)	3,173,782	-
<b>Total</b>	<b>3,173,782</b>	<b>-</b>

The effect of the transfer of residual assets on the Company's statement of financial position is as follows:

	2017	2016
	£	£
<b>Assets</b>		
Investments at fair value through profit / loss	3,173,782	-
<b>Net assets transferred</b>	<b>3,173,782</b>	<b>-</b>

Financial assets and liabilities were transferred at fair value. Non-financial assets and liabilities were transferred at carrying value in accordance with the predecessor accounting policy. The transfer was for £nil consideration and in accordance with the Insurance Business Transfer Scheme.