St. James's Place Reassurance (2009) Limited

Directors' report and financial statements

Registered number 06718989

31 December 2012

Directors and advisers

Executive directors
Mr D C Bellamy
Mr A M Croft
Mr I Gascoigne
Mr H J Gladman
Mr D J Lamb
Mr W P Tonks

Independent auditors
PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

Company secretary
St James's Place Administration Limited

Registered office
St James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP

Bankers
Bank of Scotland
150 Fountainbridge
Edinburgh
EH3 9PE

Contents

Directors' report

The Directors present their Directors' report and audited financial statements for the year ended 31 December 2012

Principal activities

The Company was authorised by the FSA as an Insurance Special Purpose Vehicle (ISPV) for the transaction of long-term reassurance business in the United Kingdom from 1 January 2010 The Company is a wholly owned subsidiary of St James's Place UK plc (SJPUK) (which is a wholly owned subsidiary of St James's Place Wealth Management Group plc, a wholly owned subsidiary of St James's Place plc (SJP plc)) Its purpose is to reinsure non-unit cashflows on new unit-linked pension business from SJPUK written after 31 December 2008

Business review

The Company provides reinsurance on an annually renewable basis of the non-unit cashflows of SJPUK's new pension business, with the new pension business being reinsured capped at £1 billion per annum at the discretion of SJPUK This limit was not imposed by SJPUK with £2 07bn of new pension business being reinsured in the year (2011 £1 76bn) The unit-linked funds remain within SJPUK The cashflows reinsured include the initial expenses of acquiring new business and annual management charges emerging over the life of the policy These cashflows are calculated using a model which has been agreed by actuarial representatives of both the cedant and the Company

The nature of the Company's business causes initial cashflow strain in the Company which leads to early losses, with profits emerging over time, typically after seven years This profit results from the balance of future annual management charges less future expenses

The loss arising from the early cashflow strain is funded by a contingent loan from SJPUK's long-term business fund on which interest is payable The positive cashflow expected to emerge as future profits will be used to repay this loan in the future

The Company is required by the FSA to be fully funded at all times, holding sufficient cash to cover its liabilities It is also required to hold positive net assets, as measured on a UK GAAP basis A waiver from the FSA allows the Company to treat the contingent loan as capital for this purpose For this reason, the Company's key performance indicators (KPIs) are

		2012	**2011**
	Note	**£000**	**£000**
Gross premium on reassured business		2,065,246	1,759,148
Contingent loan	*19*	143,974	105,500
Modified UK GAAP net assets	*14*	18,888	13,621
Surplus liquid assets		619	332

Surplus liquid assets are defined as cash and deposits with credit institutions less creditors and long-term business provisions

The Company's results for the period are in line with the expectation outlined above The financial statements for the period ended 31 December 2012 are set out on pages 9 to 20 The retained loss for the period is shown on page 9 of the financial statements, and the financial position of the company is given on page 10

Directors' report *(continued)*

Principal risks and uncertainties

The principal risk to the Company is that the expected future profit does not emerge to cover the initial expense strain This could result from a number of factors including lower levels of annual management charges or higher lapse rates than expected This risk is mitigated by the contingent loan facility available from St James's Place UK Plc, which enables the Company to manage its cashflow

The Company operates within the St James's Place group 'Risk Management Framework' as described in the SJP plc Annual Report & Accounts This 'Risk Management Framework' describes the risk management objectives, policies and procedures that are applicable to the Company The principal risks and uncertainties facing the St James's Place group are set out in the business review of the consolidated accounts within the SJP plc Annual Report & Accounts

Additional information on the Company's exposure to credit, liquidity and pricing risks can be found in Note 16 to these financial statements

Future outlook

The reinsurance agreement with SJPUK has been renewed for 2013

On 11 March 2013, Lloyds Banking Group plc sold a portion of its holding in St James's Place plc, reducing its holding from 57% to 37% At the date of signing of the financial statements, the Company is considered to be an associate rather than a subsidiary of Lloyds Banking Group plc, and the ultimate parent undertaking is considered to be St James's Place plc

Going concern has been evaluated by the Directors of the Company They concluded that it was reasonable to expect the Company to remain in business for a period of not less than 12 months from the date of signing of the financial statements, and that the Company will continue to accept reassurance of pension business as long as the current life insurance tax regime remains in force The company's cashflow will continue to be funded by contingent loans from SJPUK Further information on the basis of preparation of these accounts can be seen in the Basis of Preparation section within the Accounting Policy note to these accounts The Company recorded a loss for the year and has net liabilities at the year end but another group company, St James's Place UK plc, has indicated that it will continue to provide financial support

Dividends

The Directors do not recommend the payment of a dividend for the period ended 31 December 2012 (2011 £nil)

Directors' interests

None of the Directors have a beneficial interest in the shares of the Company

Employees

The Company has no employees

Directors

The Directors who held office during the year and up to the date of signing of the financial statements are disclosed on page 2

Political and charitable contributions

The Company made no political or charitable donations during the period

Directors' Indemnity and Insurance

Lloyds Banking Group plc ("LBG"), the ultimate parent company during the year, has taken out insurance covering Directors and officers against liabilities they may incur in their capacity as Directors or officers of LBG or its subsidiaries All members of the Board of LBG and other senior employees who act as Directors of subsidiary companies are each granted indemnities whilst acting in their capacity as Directors or officers to the extent permitted by law These indemnities are uncapped in amount and protect recipients from certain losses and liabilities that they may incur to third parties in connection with the furtherance of their duties as Directors or officers of LBG or its subsidiary companies Copies of the indemnities are available to shareholders upon request This is a qualifying third party indemnity provision and was in force during the financial year and at the date of approval of the financial statements

Directors' report *(continued)*

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are individually unaware, and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and therefore PricewaterhouseCoopers LLP is deemed to be reappointed as auditor to the Company in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006

By order of the Board

St. James's Place Administration Ltd
Company Secretary

St James's Place House
1 Tetbury Road
Cirencester
Gloucestershire
GL7 1FP
22 March 2013

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

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

Independent auditors' report to the Members of St. James's Place Reassurance (2009) Limited

We have audited the financial statements of St James's Place Reassurance (2009) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members 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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directois' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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

Craig Gentle (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 March 2013

Profit and Loss Account

for the period ended 31 December 2012

Long-Term Business Technical Account

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Earned premiums, net of reinsurance					
Gross premiums written	2	**62,458**		38,579	
Investment income	3	**11**		36	
			62,469		38,615
Claims incurred, net of reinsurance					
Claims paid, gross amount		**(98,896)**		(86,032)	
Change in other technical provisions, net of reinsurance, not shown under other headings					
Long-term business provision, net of reinsurance		**(6,043)**		1,033	
Net operating expenses	4	**(324)**		(295)	
Investment expenses and charges	5	**(1,845)**		(1,262)	
Tax attributable to the long-term business	7	**11,432**		11,165	
			(95,676)		(75,391)
Balance on the long term business technical account			**(33,207)**		(36,776)

Non-Technical Account

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Balance on the long term business technical account		**(33,207)**		(36,776)	
Tax credit attributable to balance on long-term business technical account	7	**(11,432)**		(11,165)	
Loss on ordinary activities before taxation			**(44,639)**		(47,941)
Tax on loss on ordinary activities	7		**11,432**		11,165
Loss on ordinary activities after tax, being loss for the financial period	11, 12		**(33,207)**		(36,776)

All activities relate to continuing operations There are no gains or losses recognised during the period other than the loss for the financial period shown above

Neither gains and losses of an insurance company arising on the holding or disposal of investments nor the effect of fair value accounting for financial instruments are required to be included in a note of historical profits and losses There are no other differences between the loss on ordinary activities and their historical cost equivalents

The notes on pages 11 to 20 form an integral part of these financial statements

Balance Sheet
as at 31 December 2012

	Note	**2012 £000**	**2012 £000**	2011 £000	2011 £000
ASSETS					
Investments					
Other financial investments			**5,371**		665
Debtors					
Other debtors	*8,9*		**18,132**		13,170
Cash at bank and in hand			**2,523**		134
Prepayments and accrued income					
Deferred acquisition costs			**137**		119
Total assets			**26,163**		14,088
LIABILITIES					
Capital and reserves					
Called up share capital	*10*	**5,000**		5,000	
Profit and loss account	*11*	**(130,086)**		(96,879)	
Shareholders' deficit – equity interests	*12*		**(125,086)**		(91,879)
Subordinated liabilities					
Contingent loan	*19*		**143,974**		105,500
Technical provisions					
Long term business provision	*13*		**6,043**		-
Creditors					
Creditors arising out of direct insurance operations	*15*		**1,232**		467
Total liabilities			**26,163**		14,088

The notes on pages 11 to 20 form an integral part of these financial statements

The financial statements on pages 9 to 20 financial statements were approved by the Board of Directors on 22 March 2013 and were signed on its behalf by

Andrew Croft
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

Basis of preparation

These financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ('the ABI SORP') in December 2005 and as amended in December 2006 The financial statements are prepared in accordance with applicable UK accounting standards

As discussed in the Directors' report, the going concern basis has been adopted in preparing these accounts

The Company has taken advantage of the exemption permitted under FRS1 (revised) not to prepare a cash flow statement as it is a wholly owned subsidiary of SJP plc, which prepares a consolidated cash flow statement dealing with the cash flows of the group

Premiums

Premiums represent the underlying non-unit cash inflows of the reinsured contracts and are recognised when the underlying cash flows are recognised by the ceding undertaking In accordance with the terms of the reinsurance contract, premiums are calculated using the actuarial model of the ceding undertaking

Claims

Claims represent the underlying non-unit cash outflows of the reinsured contracts and are recognised when the underlying cash flows are recognised by the ceding undertaking In accordance with the terms of the reinsurance contract claims are calculated based on the actuarial model of the ceding undertaking

Investment income

Investment income represents interest on deposits and is accounted for when received

Acquisition costs

Acquisition costs relate to commission paid to SJPUK on reassured business Acquisition costs which are incurred during a financial year are deferred and then amortised over twelve months during which the costs are expected to be recoverable and in accordance with the incidence of future related margins

Long-term business provision and technical provisions

The long-term business provision is calculated on actuarial principles

Whilst the Directors consider that the long term provision is fairly stated on the basis of the current experience and economic conditions, the ultimate liability will vary as a result of subsequent changes in experience and economic conditions and may result in significant adjustments to the amount provided in future

The provision, estimation technique and assumptions are periodically reviewed in the light of changes in experience and economic conditions with any changes in estimates reflected in the long term business technical account as they occur

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred tax assets are not discounted

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation (continued)

Deferred tax assets are recognised to the extent that they are regarded as recoverable They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Interest payable

Interest payable on the contingent loan is accounted for on an accruals basis

2 Segmental analysis

In the opinion of the directors, the Company operates in one business segment, being that of long-term insurance business in the United Kingdom All premiums written in the period relate to the inward reassurance of new pension business generated as single individual premiums on new business

3 Investment income – technical account

	2012 £000	2011 £000
Income from deposits	**11**	36

4 Net operating expenses

	2012 £000	2012 £000	2011 £000	2011 £000
Acquisition commission	**282**		253	
Change in deferred acquisition costs	**(18)**		(20)	
Acquisition costs incurred		**264**		233
Administrative expenses		**60**		62
		324		295
Administrative expenses include the following				
Statutory audit fee		**10**		10

The statutory audit fee of £10,000 (2011 £10,000) was paid on behalf of the Company by another group company, St James's Place Management Services Limited

There were no fees paid to the Company's auditor, PricewaterhouseCoopers LLP, or its associates, for services other than the statutory audit of the Company

5 Investment expenses and charges

Investment expenses and charges comprise interest payable, which relates to the contingent loan from the parent company, and is payable to the parent company See Note 19 for the terms of this loan

Notes *(continued)*

6 Directors' remuneration

None of the directors (2011 nil) received any emoluments in respect of their services to the Company for the period There was no money payable to or receivable by the directors under long-term incentive schemes in respect of qualifying services

The number of directors to whom retirement benefits are accruing is 6 (2011 6) The benefits are accrued in the pension scheme of St James's Place UK plc, a fellow subsidiary company The aggregate value of contributions paid to money purchase schemes in respect of qualifying services was nil (2011 nil)

The number of directors who exercised options over the shares in SJP plc during the period is 6 (2011 6) No shares were received by or receivable by any director in respect of qualifying services to the Company

7 Taxation

Analysis of credit for taxation in the long-term business technical account and the non-technical account

	2012	2012	2011	2011
	£000	£000	£000	£000
Corporation tax at 24 5% (2011 26 5%)				
Current tax on income for the period	-		(8,431)	
Adjustment in respect of prior periods	1,216		582	
		1,216		(7,849)
Deferred tax				
Current year	(10,937)		(3,134)	
Adjustment in respect of prior periods	(1,805)		(582)	
Change in tax rate				
Current year	94		232	
Prior year	-		168	
		(12,648)		(3,316)
		(11,432)		(11,165)

The majority of the corporation tax adjustments in respect of prior periods relates to capital allowances and overseas withholding tax

The credit for taxation in the non-technical account is as follows

	2012	2011
	£000	£000
Taxation attributable to the balance on the long term technical account	(11,432)	(11,165)

The effective tax rate for the period is higher (2011 lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2012 of 24 5% (2011 26 5%) The differences are explained below

	2012	2011
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	(44,639)	(47,941)
Current tax at 24 5% (2011 26 5%)	(10,937)	(12,704)
Effect of		
Adjustments in respect of prior periods	1,216	582
Deferred tax on losses not utilised	10,937	3,134
Disallowable items	-	1,197
Other differences	-	(58)
Total current tax charge (see above)	1,216	(7,849)

Notes *(continued)*

7 Taxation *(continued)*

The change in the corporation tax rate from 25% to 23% effective 1 April 2013 enacted in the Finance Act 2012 has been incorporated in the deferred tax balances A change to 21%, effective from 1 April 2014, was announced in the December 2012 Autumn Statement, and a further change to 20%, effective from 1 April 2015, was announced in the March 2013 Budget Statement These further changes had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements

8 Other debtors

	2012 £000	2011 £000
Amounts owed by group undertakings	788	43
Taxation recoverable	-	8,431
Deferred tax assets	17,344	4,696
	18,132	13,170

9 Deferred tax asset

	2012 £000	2011 £000
At beginning of year	4,696	1,381
Added in the year	12,648	3,315
At end of year	**17,344**	4,696

10 Called up share capital

	2012 £000	2011 £000
Authorised, Issued, Allotted and Fully Paid		
5,000,000 Ordinary shares of £1 each	**5,000**	5,000

11 Profit and loss account

	2012 £000	2011 £000
At beginning of period	(96,879)	(60,103)
Loss for the period	(33,207)	(36,776)
At end of period	**(130,086)**	(96,879)

12 Reconciliation of movements in equity shareholders' deficit

	2012 £000	2011 £000
At beginning of period	(91,879)	(55,103)
Loss for the period	(33,207)	(36,776)
At end of period	**(125,086)**	(91,879)

Notes *(continued)*

13 Long-term business technical provision

The assumptions underlying the calculation of the long-term business provision for modified statutory solvency basis purposes have been determined in accordance with industry accepted actuarial techniques The principal sensitive assumptions used in calculating the provision are noted below together with details of the sensitivity of these assumptions

The long-term provision consists of sterling reserves designed to cover any future cash flows without recourse to additional capital The cash flows are projected assuming

- unit growth rates of 2 9% per annum (2011 3 1%),
- a projection of current expenses assuming inflation at 3 1% (2011 3 3%),
- mortality and morbidity costs, which are derived from actual Company and industry experience and the rates charged by reinsurers Mortality is based on company experience and is set at 72% of the TM/F92 tables with an additional loading for smokers There has been no change since 2008 Sample annual morbidity rates for a male non-smoker are

	Rate	
Age	**2012**	**2011**
25	0 000760	0 000760
35	0 001334	0 001334
45	0 003189	0 003189
55	0 009189	0 009189

- withdrawal rates which are derived from actual Company experience Sample annual rates are

	Surrenders			
2011 & 2012	**Years 1–5**	**Years 6–10**	**Years 11–15**	**Years 16–20**
Individual pension regular premium	3%	3%	4%	6%

The cash flows are discounted at 1 7% (2011 1 9%) to calculate the sterling reserves

Sensitivity analysis

The table below sets out the sensitivity of the profit and net assets to key assumptions The analysis reflects the change in the variable / assumption shown while all other variables / assumptions are left unchanged In practice variables / assumptions may change at the same time as some may be correlated (for example, an increase in interest rates may also result in an increase in expenses if the increase reflects higher inflation) It should also be noted that in some instances sensitivities are non-linear

Sensitivity analysis	Change in assumption	**Change in profit before tax 2012***	Change in profit before tax 2011*	**Change in net assets 2012***	Change in net assets 2011*
	%	**£' 000**	£' 000	**£' 000**	£' 000
Withdrawal rates	-10%	**(330)**	0	**(435)**	0
Expense assumptions	-10%	**520**	0	**395**	0

* The long-term business provision at 31/12/11 would have been an asset of £3 9m following a 10% reduction in withdrawal rates, and an asset of £5 4m following a 10% reduction in expense assumptions However as this asset was not recognised, in accordance with the provisions of the ABI SORP, there would have been no change to the profit before tax or to the net assets

Changes in discount rates, mortality and morbidity rates or unit growth rates will have no material impact on insurance profit or net assets

Notes *(continued)*

14 Capital statement

The following table provides a reconciliation of shareholders' deficit to regulatory capital resources

	2012	2011
	£000	£000
Shareholders' deficit	(125,086)	(91,879)
Adjustments onto regulatory basis contingent loan	143,974	105,500
	18,888	13,621

The capital resources requirement for 2012 was nil (2011 nil)

15 Creditors arising out of direct insurance operations

	2012	2011
	£000	£000
Amounts due to fellow subsidiaries	1,232	467

16 Financial risk

Risk management objectives and risk policies

The Company adopts a risk-averse approach to financial risk with a stated policy of not actively pursuing and accepting financial risk except when necessary to support other objectives The Company seeks to manage risk by investing shareholder assets only in highly rated investments

The Company's exposure to credit, liquidity and market risks is set out below in the following paragraphs The process for accepting, measuring, monitoring and controlling these risks is set out in the group's Risk and Risk Management Report within the group's consolidated SJP plc annual report and accounts

Categories of financial assets and financial liabilities

The categories and carrying values of the financial assets and financial liabilities held in the Company's balance sheet are summarised in the table below

	31 December 2012				31 December 2011			
	Financial assets at fair value through profit and loss*	**Loans and receivables**	**Financial liabilities at fair value through profit and loss***	**Financial liabilities measured at amortised cost**	Financial assets at fair value through profit and loss*	Loans and receivables	Financial liabilities at fair value through profit and loss*	Financial liabilities measured at amortised cost
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Financial Assets								
Deposits with credit institutions	5,371				665			
Cash at bank and in hand		2,523				134		
Debtors		788				43		
Total Financial Assets	5,371	3,311			665	177		
Financial Liabilities								
Creditors				1,232				467
Contingent loan				143,974				105,500
Total Financial Liabilities				145,206				105,967

* All financial assets and liabilities at fair value through profit and loss are designated as such upon initial recognition

Notes *(continued)*

16 Financial risk *(continued)*

Income, expense, gains and losses arising from financial assets and financial liabilities

The income, expense, gains and losses arising from financial assets and financial liabilities are summarised in the table below

	31 December 2012				31 December 2011			
	Financial assets at fair value through profit and loss*	**Loans and receivables**	**Financial liabilities at fair value through profit and loss***	**Financial liabilities measured at amortised cost**	Financial assets at fair value through profit and loss*	Loans and receivables	Financial liabilities at fair value through profit and loss*	Financial liabilities measured at amortised cost
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Financial Assets								
Deposits with credit institutions	11				34			
Cash at bank and in hand		-				3		
Total Financial Assets	11	-			34	3		
Financial Liabilities								
Creditors								
Contingent loan				(1,845)				(1,262)
Total Financial Liabilities				(1,845)				(1,262)

* All financial assets and liabilities at fair value through profit and loss are designated as such upon initial recognition

Credit risk

The Company's exposure to credit risk is mitigated by a number of policies Shareholders' funds are invested in AAA rated unitised money market funds, and deposits with approved banks, in accordance with the St James's Place group Credit Policy, with a view to minimising credit and market risk Maximum counterparty limits are set for each company within the group and aggregate limits are also set at a group level The following table sets out the credit risk exposure and ratings of financial and other assets which are most susceptible to credit risk

31 December 2012

	AAA	**AA**	**A**	**Unrated**	**Nil Credit Exposure**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets						
Deposits with credit institutions	**5,371**					**5,371**
Cash at bank and in hand			**2,523**			**2,523**
Debtors				**788**		**788**

31 December 2011

	AAA	**AA**	**A**	**Unrated**	**Nil Credit Exposure**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets						
Deposits with credit institutions	665					665
Cash at bank and in hand			134			134
Debtors				43		43

Notes *(continued)*

16 Financial risk *(continued)*

Financial assets that are either past due or impaired

There are no financial assets that are materially impaired, would otherwise be past due or impaired, whose terms have been renegotiated or are past due but not impaired

Liquidity risk

The Company is subject to minimal liquidity risk since it maintains a high level of liquid assets to meet its liabilities The analysis of contractual maturities for the Company's financial liabilities is included within the table which follows

The following table sets out the contractual maturity analysis exposure of the Company's financial assets and liabilities

31 December 2012

	Up to 1 Year	1 - 5 Years	Over 5 years	No fixed maturity	Non Interest Bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Deposits with credit institutions	5,371					5,371
Cash at bank and in hand	2,523					2,523
Debtors					788	788
Financial Liabilities						
Creditors					1,232	1,232
Contingent loan				143,974		143,974

*See note 18

31 December 2011

	Up to 1 Year	1 - 5 Years	Over 5 years	No fixed maturity	Non Interest Bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets						
Deposits with credit institutions	665					665
Cash at bank and in hand	134					134
Debtors					43	43
Financial Liabilities						
Creditors					467	467
Contingent loan				105,500		105,500

Interest rate risk

This is not considered to be a material risk to the Company

Market risk

This is not considered to be a material risk to the Company

Currency risk

The Company is not subject to any significant currency risk since all material financial assets and financial liabilities are denominated in Sterling

Notes *(continued)*

16 Financial risk *(continued)*

Fair value estimation

Financial instruments, which are held at fair value in the balance sheet, are required to have disclosed their fair value measurements by level of the following fair value measurement hierarchy

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2012

	Level 1	Level 2	Level 3	Total balance
	£' 000	£' 000	£' 000	£' 000
Financial assets at fair value through profit or loss.				
Deposits with credit institutions	5,371	-	-	5,371
Total financial assets at fair value through profit or loss	**5,371**	**-**	**-**	**5,371**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2011

	Level 1	Level 2	Level 3	Total balance
	£' 000	£' 000	£' 000	£' 000
Financial assets at fair value through profit or loss:				
Deposits with credit institutions	665	-	-	665
Total financial assets at fair value through profit or loss	**665**	**-**	**-**	**665**

Notes *(continued)*

17 Ultimate parent company and parent undertaking of larger group of which the Company is a member

During the year the Company regarded by the directors as the ultimate parent company was Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group accounts were drawn up and of which the Company was a member Copies of the consolidated accounts of Lloyds Banking Group Limited may be obtained from Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN

The parent undertaking of the smallest group to consolidate the accounts of the Company is St James's Place plc, a company registered in England and Wales, copies of whose consolidated accounts may be obtained from the Company Secretary, St James's Place plc, St James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP

On 11 March 2013, Lloyds Banking Group plc sold a portion of its holding in St James's Place plc, reducing its holding from 57% to 37% At the date of signing of the financial statements, the Company is considered to be an associate rather than a subsidiary of Lloyds Banking Group plc, and the ultimate parent undertaking is considered to be St James's Place plc

The Company's related parties during the year included other companies in the Lloyds Banking Group, pension schemes of the Company's ultimate parent company and the Company's key management personnel Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors

There were no transactions between the Company and key management personnel during the current period

18 Related party transactions

As the Company is a wholly owned subsidiary of SJP plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the group (or investees of the group qualifying as related parties)

- During the period, deposits were placed with Bank of Scotland (part of Lloyds Banking Group) on normal commercial terms At 31 December 2012 these deposits amounted to £2,523,000 (2011 £134,000) and £500 interest was receivable during the period (2011 £3,000)
- During the period, deposits were placed with Insight Investment (part of Lloyds Banking Group) on normal commercial terms At 31 December 2012 these deposits amounted to £2,135,000 (2011 £235,000) and £4,000 interest was receivable during the period (2011 £14,000)

	2012 **£000**	2011 £000
Intra-group debtors		
St James's Place Management Services Limited	-	43
St James's Place UK plc	**788**	-
Intra-group creditors		
St James's Place Management Services Limited	**1,232**	-
St James's Place UK plc	-	467
St James's Place UK plc (contingent loan)	**143,974**	105,500

19 Contingent loan

The contingent loan is not repayable on demand, and is subordinated to the long term business provision and other creditors Should the loan exceed the higher of 1 5 times the long term business provision and £5,000,000, the excess of the loan can be repaid, providing that this would leave the Company with positive net assets on an adjusted UK GAAP basis, and sufficient cash to cover its liabilities excluding the contingent loan At 31 December 2012 £619,000 was repayable on this basis (2011 £332,000) Repayment is due by 31 March 2013 Interest is charged monthly at a rate equivalent to the Bank of England base rate plus 1 percentage point per annum