

SW Funding plc

Annual Report and Accounts for the year ended 31 December 2018

Registered office

69 Morrison Street
Edinburgh
EH3 8YF

Registered number

SC199549

Directors

J C S Hillman
S W Lowther
R J McIntyre

Company Secretary

K J McKay

THURSDAY



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Member of Lloyds Banking Group

Director's report

For the year ended 31 December 2018

Principal activities and business review

SW Funding plc ("the Company") is a limited company incorporated and domiciled in Scotland (registered no: SC199549).

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 provided a wide range of life insurance products such as annuities, pensions, whole life, term life and investment type products. The Company also reinsured business with insurance entities internal to Lloyds Banking Group plc ("the Group"). 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 and the ownership of the Company's subsidiaries, Scottish Widows Unit Funds Limited, Scottish Widows Annuities Limited and Pensions Management (S.W.F.) Limited. 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 11. The Company has ceased trading.

During the year ended 31 December 2018 the Company did not trade or incur any liabilities and consequently has made neither profit nor loss.

Directors

The current directors of the Company are shown on the front cover.

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and accounts.

Company Secretary

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

K J McKay	(appointed 23 November 2018)
A D Yuille	(resigned 15 November 2018)

Directors' indemnities

Lloyds Banking Group plc 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 or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

On behalf of the board



S W Lowther
Director

7 June 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £	2017 £
Investment income	2	-	4,572
Finance costs	3	-	(870)
Loss on transfer of business	11	-	(3,174,222)
Impairment on transfer of business	11	-	(7,064,680)
Result/(loss) before tax		-	(10,235,200)
Taxation	5	-	(713)
Result/(loss) for the year being total comprehensive income/(expense)		-	(10,235,913)

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

For the year ended 31 December 2018

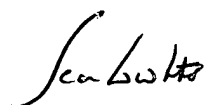
	Note	2018 £	2017 £
ASSETS			
Amounts due from other group undertakings	7	1	1
Investments in subsidiary undertakings	6	-	-
Total assets		1	1
LIABILITIES			
Other liabilities	8	100	100
Total liabilities		100	100
EQUITY			
Share capital	9	1,470,092,670	1,470,092,670
Retained losses		(1,470,092,769)	(1,470,092,769)
Total equity		(99)	(99)
Total equity and liabilities		1	1

For the year ended 31 December 2018, the Company was entitled to exemption from audit under section 480 of the Companies Act 2006 (the "Act") relating to dormant companies.

Directors' responsibilities:

- The member has not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirement of the Act with respect to accounting records and the preparation of accounts.

The accompanying notes to the financial statements are an integral part of these financial statements.



S W Lowther
Director

7 June 2019

Statement of changes in equity

For the year ended 31 December 2018

	Share capital	Retained losses	Total equity
	£	£	£
At 1 January 2017	1,470,092,670	(1,459,856,856)	10,235,814
Loss for the year being total comprehensive expense	-	(10,235,913)	(10,235,913)
At 31 December 2017	1,470,092,670	(1,470,092,769)	(99)
Result for the year being total comprehensive income	-	-	-
At 31 December 2018	1,470,092,670	(1,470,092,769)	(99)

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2018

	2018 £	2017 £
Cash flows generated from operating activities		
Result/(loss) before tax	-	(10,235,200)
Adjusted for:		
- Finance Cost	-	870
- Impairment in investment in subsidiary on transfer of business	-	7,064,680
- Net movement in loans and receivables	-	1
- Net movement in investments at fair value through profit or loss	-	3,173,650
- Taxation paid	-	(4,187)
Net cash outflows from operating activities	-	(186)
Cash flows used in financing activities		
Overdraft interest paid	-	(870)
Net cash used in financing activities	-	(870)
Change in Cash and cash equivalents	-	(1,056)
Cash and cash equivalents at beginning of year	-	1,056
Cash and cash equivalents at end of year	-	-

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with applicable International Financial Reporting Standards (IFRS). There are no accounting policies where the use of assumptions and estimates are determined to be significant to the financial statements.

The Company has net liabilities and is reliant on funding ultimately provided by Lloyds Banking Group plc. The intention is to wind up the Company. 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. Adjustments have been made in the financial statements to reduce assets to their realisable values and to reclassify fixed assets as current assets.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

1.2 Investment income

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

1.3 Finance costs

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

1.4 Investment in subsidiaries

During 2017, the Company impaired its investment in subsidiary on transfer of business from £7,064,680 to nil, as set out in note 11. An adjustment has been made to reclassify the Company's investment in subsidiary from non-current assets to current assets as the accounts are not presented on a going concern basis.

1.5 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.

1.6 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 (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.7 Taxes

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

2. Investment income

	2018 £	2017 £
Net income on investments at fair value through profit or loss	-	4,572

3. Finance costs

	2018 £	2017 £
Overdraft interest paid	-	870

4. Auditors' remuneration

Fees payable to the Company's auditors for the audit of the financial statements of £nil (2017: £2,000) have been borne by a fellow group undertaking and are not recharged to the Company.

5. Taxation charge

(a) Current year tax charge

	2018 £	2017 £
UK corporation tax: - Current tax on taxable loss for the year	-	(713)

(b) Reconciliation of tax charge

	2018 £	2017 £
Result/(loss) before tax	-	(10,235,200)
Tax credit at 19.00% (2017: 19.25%)	-	1,970,276
Effects of:		
- Impairment of subsidiary	-	(1,359,951)
- Loss on transfer of assets not deductible	-	(611,038)
Tax charge	-	(713)

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Assets: Investments in subsidiary undertakings

	2018 £	2017 £		
Investments in subsidiary undertakings	-	-		
Directly held subsidiaries:	Interest	Class of shareholding	Nature of Business	Registered address
Pensions Management (S.W.F.) Limited	100%	Guarantee	Dormant	15 Dalkeith Road, Edinburgh. EH16 5BU
Scottish Widows Industrial Properties Europe B.V.	100%	Ordinary	Investment	Hoogoorddreef , 151101BA, Amsterdam, Netherlands
Scottish Widows Unit Funds Limited	100%	Ordinary	Dormant	69 Morrison Street, Edinburgh. EH3 8YF

Pensions Management (S.W.F.) Limited and Scottish Widows Unit Funds Limited are incorporated and resident in Scotland. Scottish Widows Industrial Properties Europe B.V. is incorporated and resident in the Netherlands. All of the subsidiary companies noted above have the same accounting reference date as the Company.

Scottish Widows Annuities Limited, a subsidiary undertaking of the Company, was placed into liquidation during the year.

7. Assets: Amounts due from other group undertakings

	2018 £	2017 £
Scottish Widows Limited	1	1

Amounts due from other group undertakings is non-interest bearing and repayable on demand. The fair value of Amounts due from other group undertakings is equal to its carrying amount. No provisions are recognised in respect of Amounts due from other group undertakings.

8. Other liabilities

	2018 £	2017 £
Other liabilities	100	100

Included within other liabilities, as required by IAS 32 "Financial Instruments: Presentation", is £100 of 6% cumulative preference shares issued by the Company during 2005.

9. Share capital

	2018 £	2017 £
1,470,092,670 ordinary shares of £1 each	1,470,092,670	1,470,092,670

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Related party transactions

The Company's immediate parent company is Scottish Widows Financial Services Holdings (incorporated in Scotland). The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Banking Group plc is the parent undertaking of the smallest such group of undertakings. Copies of the Annual Report and Accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

The Company's related parties include 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 or preceding year.

Key management personnel are employed by other companies in the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group.

11. 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, the Company's immediate parent, 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 and the ownership of the Company's subsidiaries, Scottish Widows Unit Funds Limited, Scottish Widows Annuities Limited and Pensions Management (S.W.F.) Limited. 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:

	2018 £	2017 £
Loss on transfer of business to fellow group undertaking	-	3,174,222
Impairment in investment in subsidiary on transfer of business	-	7,064,680
	-	10,238,902

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

	2018 £	2017 £
Net assets transferred		
Investments at fair value through profit or loss	-	3,174,222

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.