NATIONAL PROVIDENT LIFE LIMITED

Company Registration Number: 3641947

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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Directors' report

The Directors present their Report and the Financial Statements of National Provident Life Limited ("the Company") for the year ended 31 December 2017.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is 3641947 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Business review

Principal activities
The Company has not traded during the year.

Corporate activity
Following the Part VII transfer of the Company's long term insurance business ("the Scheme") approved by the High Court on 1 May 2015, an application was successfully submitted to the Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA") to cancel the Company's authorisation to undertake long term business.

Following deauthorisation, on 2 February 2016 the remaining assets of £4m were transferred by the Company in accordance with the Scheme to Phoenix Life Assurance Limited ("PLAL") for £nil consideration.

Result and dividends
The results of the Company for the year are shown in the statement of comprehensive income on page 7. The profit before owners' tax was £nil (2016: £4m loss).

No dividends were paid during the year (2016: £nil).

Principal risks and uncertainties
The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

Following the implementation of the Scheme, the Company is no longer exposed to any material risks. Should any liabilities arise in the future, the terms of the Scheme are such that these will transfer to PLAL.

Going concern
Having reviewed the position in light of the Financial Reporting Council Guidance issued in April 2016, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors
The names of those individuals who served as Directors of the Company during the year and who held office at the date of signature of this report are as follows:

S Mohammed	*(resigned 30 September 2017)*
A Moss	
R Sheriff	(appointed 30 September 2017)

Secretary
Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

Disclosure of indemnity
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

Small companies exemption
The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors 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 (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Re-appointment of auditor

In accordance with section 487 of the Companies Act 2006, the Company's auditor, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate.

On behalf of the Board

L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

12 June 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Company financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements; 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. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of National Provident Life Limited

We have audited the financial statements of National Provident Life Limited ("the Company") for the year ended 31 December 2017 which comprise the accounting policies, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its result 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Stuart Wilson (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
13 June 2018

Statement of comprehensive income
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Revenue			
Loss on transfer of business	3	-	(4)
Net income		-	(4)
Loss for the year attributable to owners		-	(4)
Other comprehensive income		-	-
Total comprehensive loss for the year		-	(4)

Statement of financial position
as at 31 December 2017

	Notes	As at 31 December 2017 £m	As at 31 December 2016 £m
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	7	10	10
Capital contribution reserve	8	1,323	1,323
Retained earnings		(1,333)	(1,333)
Total equity and liabilities		-	-
Total assets		-	-

On behalf of the Board

R Sheriff
Director
12 June 2018

Statement of changes in equity
for the year ended 31 December 2017

	Share capital (note 7) £m	Capital con-tribution reserve (note 8) £m	Retained earnings £m	Total £m
At 1 January 2017	10	1,323	(1,333)	-
Loss for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
At 31 December 2017	10	1,323	(1,333)	-

Of the above, £nil (2016: £nil) is considered distributable.

	Share capital (note 7) £m	Capital con-tribution reserve (note 8) £m	Retained earnings £m	Total £m
At 1 January 2016	10	1,323	(1,329)	4
Loss for the year	-	-	(4)	(4)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(4)	(4)
At 31 December 2016	10	1,323	(1,333)	-

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation
The financial statements have been prepared on a historical cost basis.

Statement of compliance
The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") as they apply to the financial statements of the Company for the year ended 31 December 2017, and applied in accordance with the Companies Act 2006.

The financial statements are presented in sterling (£) rounded to the nearest £m except where otherwise stated.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement more than twelve months after the period end is presented in the notes.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are income taxes.

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax charge is analysed between tax that is payable in respect of policyholders' returns and tax that is payable on owners' returns. This allocation is calculated based on an assessment of the effective rate of tax that is applicable to owners for the year. Deferred tax assets and liabilities taxed at policyholder rates are not offset against deferred tax assets or liabilities taxed at shareholder rates due to restrictions in place in life tax legislation.

(d) Investment in subsidiaries
Investments in shares in subsidiaries held for strategic purposes are carried in the statement of financial position at cost less impairment. Investments in shares in subsidiaries held for investment purposes are carried at fair value.

At each reporting date, the Company assesses whether there are any indications of impairment or reversal of impairment. When such indications exist, an impairment test is carried out by comparing the carrying value of the investment against the estimate of the recoverable amount, which represents the higher of value in use and fair value less costs of disposal. For investments in life insurance companies, the value in use will be calculated with reference to the underlying Solvency II value and for other entities, IFRS net asset value. Impairments and reversal of impairments are recognised as income or an expense in the statement of comprehensive income in the period in which they occur.

(e) Transfers of business

Where the Company participates in a transfer of insurance business scheme under Part VII of the Financial Services Act 2000 and the ultimate shareholders remain the same, the transaction constitutes business combinations involving entities or businesses under common control. IFRS does not prescribe the treatment of such transfers. Accordingly, on initial recognition, the transferred assets and liabilities are measured at the carrying value in the transferring company and the resulting gain or loss is recognised as income or an expense in the statement of comprehensive income.

(f) Share capital and capital contributions

Ordinary share capital

The Company has issued ordinary shares which are classified as equity.

Capital contributions

Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the statement of changes in equity as a distributable reserve.

2. Financial information

The financial statements for the year ended 31 December 2017, set out on pages 7 to 13, were authorised by the Board of Directors for issue on 12 June 2018.

In preparing the financial statements the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ("IASB") and have been adopted for use by the EU. None of the following have a material effect on the results of the Company.

- Amendments to IAS 7 Disclosure Initiative

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted.

- Annual Improvements to IFRSs 2014-2016 Cycle (2018). The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Company. The package also includes amendments to IFRS 12 which is mandatorily effective for the Company in the current year. The Company does not anticipate that the application of the amendments in the future will have any impact on the Company's financial statements as the Company is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Company does not have any associate or joint venture that is an investment entity.

- IFRIC 23 Uncertainty over Income Tax Treatments (2019). This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.

Where not specifically stated, the impact on the Company of adopting the above standards, amendments and interpretations is subject to evaluation.

3. Transfer of business

With effect from 30 June 2015, all of the long term business and the majority of the shareholder fund of the Company transferred to Phoenix Life Assurance Limited ("PLAL") for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 ("The Scheme") approved by the High Court on 1 May 2015.

On 2 February 2016, the remaining assets of £4m were transferred to PLAL for £nil consideration in accordance with the scheme.

4. Directors' remuneration

The Directors are employed by another Group company.

The Directors received no remuneration in respect of their services to the Company (2016: £nil).

5. Auditor's remuneration

The remuneration of the auditor of the Company, including their associates, in respect of the audit of the financial statements was £2,000 (2016: £2,000). This audit fee has been borne by another Group company.

6. Tax charge

Current year tax charge

	2017 £m	2016 £m
Total tax charge	-	-

Reconciliation of tax charge

	2017 £m	2016 £m
Loss before tax	-	(4)
Loss before the tax attributable to owners	-	(4)
Tax at standard UK rate of 19.25% (2016: 20%)	-	(1)
Non-taxable loss on transfer of business	-	1
Owners' tax charge	-	-
Total tax charge for the year	-	-

7. Share capital

	2017 £m	2016 £m
Issued and fully paid: 10,000,000 (2016: 10,000,000) ordinary shares of £1 each	10	10

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits

8. Capital contribution reserve

	2017 £m	2016 £m
At 1 January and 31 December	1,323	1,323

The capital contribution has been treated as capital as there is no agreement for repayment. The reserve is considered distributable.

9. Cash flows

Cash flows from operating activities

	2017 £m	2016 £m
Loss for the year before tax	-	(4)
Non-cash movements in profit for the year before tax		
Fair value Loss on Part VII Transfer	-	4
Cash (absorbed) / generated from operations	-	-

10. Risk management

Following the Part VII transfer of assets and liabilities to PLAL, the Company is no longer exposed to financial risk. Should any liabilities arise in future, the terms of the Scheme are such that these will transfer to PLAL. The subsequent de-authorisation of the Company to carry out long-term business led to the release of the requirement to hold levels of capital.

11. Related party transactions

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms apart from transfers of long term business.

There were no related party transactions during the financial year ending 31 December 2017.

Key management compensation

The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 4.

During the year to 31 December 2017, key management and other family members had no other transactions with the Company.

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 13.

12. Investment in subsidiary

The wholly owned subsidiary of the Company, National Provident Institution, is dormant and has no carrying value (2016: £nil). It is incorporated in the UK as an unlimited company without shares.

13. Other information

The Company's principal place of business is the United Kingdom. The Company's immediate parent is NP Life Holdings Limited and its ultimate parent is Phoenix Group Holdings, a company incorporated in the Cayman Islands and resident in the United Kingdom. A copy of the financial statements of Phoenix Group Holdings can be obtained from the Company Secretary, Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.