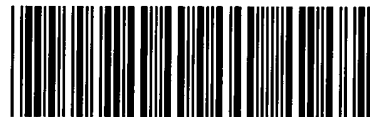


**PIPS ASSET INVESTMENTS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2017**

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**PIPS ASSET INVESTMENTS LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2017

Registered in England & Wales. Company No. 08068457

Registered office: 25 Gresham Street, London, United Kingdom, EC2V 7HN.

**DIRECTORS**

R.D. Shrimpton  
M. Bradshaw  
G.S. Parker

**COMPANY SECRETARY**

A.E. Mulholland (Appointed 7 December 2017)

# PIPS ASSET INVESTMENTS LIMITED

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## **PIPS ASSET INVESTMENTS LIMITED ("the Company")**

### **STRATEGIC REPORT**

For the year ended 31 December 2017

The directors present their report and the audited financial statements of PIPS Asset Investments Limited ("Company"), a private limited company, for the year ended 31 December 2017.

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The Company's principal activity is to make loans to Lloyds Bank plc ("Lloyds Bank") secured by transfer of securities to the Company ("Securities") in respect of which Lloyds Bank retains all risks and rewards through total return swap arrangements ("TRS"). The Securities held by the Company are pledged in favour of the Pension Investment Plan ("PIP") section of the Lloyds Bank Pension Scheme No 1 Ltd ("Pension Scheme") pursuant to a guarantee and charge in support of obligations owed to the PIP section by Lloyds Bank. There have been no changes in the nature of the Company's operations during the year and no change is expected in the foreseeable future.

The Company is funded by subordinated unsecured debt funding from Lloyds Bank. For accounting purposes the Company does not recognise the Securities in its balance sheet as Lloyds Bank continues to be exposed to substantially all the risks and rewards of those assets, but instead recognises a recoverable from Lloyds Bank.

The profit for the year of £120,000 (2016: £138,000) is set out in the Statement of Comprehensive Income on page 8. Total dividends paid during the year were £nil (2016: £nil)

### **PRINCIPAL RISKS AND UNCERTAINTIES**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Lloyds Banking Group plc and are not managed separately. Full disclosure of the Company's financial risk management objectives and policies are given in note 12 to the financial statements.

### **KEY PERFORMANCE INDICATORS ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board



M. Bradshaw  
Director

Date: 24<sup>th</sup> April 2018

## **PIPS ASSET INVESTMENTS LIMITED**

### **DIRECTORS' REPORT**

#### **DIRECTORS**

There have been no changes to the Board of Directors during the year, up to the date of signing the financial statements.

#### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 8. The profit for the year amounted to £120,000 (2016: £138,000).

No dividends were or declared during the year.

#### **DIRECTORS' INDEMNITIES**

Lloyds Banking Group plc has granted to the Directors of the Company (including former directors who retired during the year) a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were 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 the Director who joined the Board of the Company during the financial year). The indemnities remain in force for the duration of a Director's period of office. The deeds indemnify 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.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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.

## **PIPS ASSET INVESTMENTS LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

Each of the directors, whose names are listed on page 1 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report contained above includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

### **GOING CONCERN**

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

### **INDEPENDENT AUDITORS' AND AUDIT INFORMATION**

Each director in office at the date 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 or she ought to have taken as a director in order to make himself or herself 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 section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

On behalf of the board



M. Bradshaw

Director

Date: 24<sup>th</sup> April 2018

Incorporated and domiciled in England and Wales. Company No. 08068457

# ***Independent auditors' report to the members of PIPS Asset Investments Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, PIPS Asset Investments Limited'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 profit 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 Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the Cash Flow Statement, 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.

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### **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.

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### **Conclusions relating to going concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **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.

## PIPS ASSET INVESTMENTS LIMITED

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 set out on page 4, 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 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.

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## 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.



Jonathan Hinchliffe (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

26 April 2018



# PIPS ASSET INVESTMENTS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

|  | Note | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|--|------|---|---|
| Interest and similar income                    |      | 7,760                                   | 9,342                                   |
| Interest and similar expense                   |      | <u>(7,711)</u>                          | <u>(9,269)</u>                          |
| <b>Net interest income</b>                     | 3    | <b>49</b>                               | <b>73</b>                               |
| Other income                                   | 4    | <u>100</u>                              | <u>100</u>                              |
| <b>Profit before taxation</b>                  |      | <b>149</b>                              | <b>173</b>                              |
| Taxation                                       | 5    | <u>(29)</u>                             | <u>(35)</u>                             |
| <b>Profit for the year</b>                     |      | <b><u>120</u></b>                       | <b><u>138</u></b>                       |
| <b>Total comprehensive income for the year</b> |      | <b><u>120</u></b>                       | <b><u>138</u></b>                       |

All activities are continuing.

The accompanying notes on pages 12 to 21 are an integral part of the financial statements.

# PIPS ASSET INVESTMENTS LIMITED

## BALANCE SHEET

As at 31 December 2017

|   | Note | 31 December 2017<br>£'000 | 31 December 2016<br>£'000 |
|---|------|---------------------------|---------------------------|
| <b>Assets</b>                               |      |                           |                           |
| <b>Non-current assets</b>                   |      |                           |                           |
| Amounts owed by intermediate parent company | 10   | <u>1,667,711</u>          | <u>1,272,678</u>          |
| <b>Total non-current assets</b>             |      | <u>1,667,711</u>          | <u>1,272,678</u>          |
| <b>Current assets</b>                       |      |                           |                           |
| Amounts owed by intermediate parent company | 10   | -                         | 401,286                   |
| Trade and other receivables                 | 6    | 441                       | 698                       |
| Cash and cash equivalents                   | 10   | <u>790</u>                | <u>675</u>                |
| <b>Total current assets</b>                 |      | <u>1,231</u>              | <u>402,659</u>            |
| <b>Total assets</b>                         |      | <u><u>1,668,942</u></u>   | <u><u>1,675,337</u></u>   |
| <b>Liabilities</b>                          |      |                           |                           |
| <b>Non-current liabilities</b>              |      |                           |                           |
| Amounts owed to intermediate parent company | 10   | <u>1,657,711</u>          | <u>1,262,678</u>          |
| <b>Total non-current liabilities</b>        |      | <u>1,657,711</u>          | <u>1,262,678</u>          |
| <b>Current liabilities</b>                  |      |                           |                           |
| Amounts owed to intermediate parent company | 10   | -                         | 401,286                   |
| Current tax liabilities                     | 7    | 29                        | 35                        |
| Other current liabilities                   | 8    | <u>440</u>                | <u>696</u>                |
| <b>Total current liabilities</b>            |      | <u>469</u>                | <u>402,017</u>            |
| <b>Total liabilities</b>                    |      | <u><u>1,658,180</u></u>   | <u><u>1,664,695</u></u>   |
| <b>Equity</b>                               |      |                           |                           |
| Share capital                               | 9    | 10,000                    | 10,000                    |
| Retained earnings                           |      | <u>762</u>                | <u>642</u>                |
| <b>Total equity</b>                         |      | <u>10,762</u>             | <u>10,642</u>             |
| <b>Total liabilities and equity</b>         |      | <u><u>1,668,942</u></u>   | <u><u>1,675,337</u></u>   |

The board of directors approved the financial statements on pages 8 to 21 on the date of 24<sup>th</sup> April 2018 and signed on its behalf by

*Marc Bradshaw*

M. Bradshaw

Director

Date: 24<sup>th</sup> April 2018

The accompanying notes on pages 12 to 21 form an integral part of the financial statements.

## PIPS ASSET INVESTMENTS LIMITED

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

|  | Share Capital<br>£'000 | Retained Earnings<br>£'000 | Total Equity<br>£'000 |
|--|------------------------|----------------------------|-----------------------|
| Balance at 1 January 2016                          | 10,000                 | 504                        | 10,504                |
| Profit for the year and total comprehensive income | -                      | 138                        | 138                   |
| Balance at 31 December 2016                        | 10,000                 | 642                        | 10,642                |
| Profit for the year and total comprehensive income | -                      | 120                        | 120                   |
| Balance at 31 December 2017                        | 10,000                 | 762                        | 10,762                |

The accompanying notes on pages 12 to 21 are an integral part of the financial statements.

# PIPS ASSET INVESTMENTS LIMITED

## CASH FLOW STATEMENT

For the year ended 31 December 2017

|   | Note | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|---|------|---|---|
| <b>Cash flows from operating activities</b>                   |      |   |   |
| Profit before taxation  |      | 149                                     | 173                                     |
| Adjustment for:   |      |   |   |
| Interest income   | 3    | (7,760)                                 | (9,342)                                 |
| Interest expense  | 3    | <u>7,711</u>                            | <u>9,269</u>                            |
| Operating profit before working capital changes               |      | 100                                     | 100                                     |
| Tax paid  |      | <u>(35)</u>                             | <u>(68)</u>                             |
| <b>Net cash generated from operating activities</b>           |      | <u>65</u>                               | <u>32</u>                               |
| <b>Cash flows from investing activities</b>                   |      |   |   |
| Interest received   |      | 8,017                                   | 9,466                                   |
| Advanced to intermediate parent company                       | 10   | (482,158)                               | (659,214)                               |
| Repayment by intermediate parent company                      | 10   | <u>488,411</u>                          | <u>151,296</u>                          |
| <b>Net cash generated from/(used in) investing activities</b> |      | <u>14,270</u>                           | <u>(498,452)</u>                        |
| <b>Cash flows from financing activities</b>                   |      |   |   |
| Interest paid   |      | (7,967)                                 | (9,391)                                 |
| Receipts from Intermediate parent company                     | 10   | 482,158                                 | 659,214                                 |
| Payments to intermediate parent company                       | 10   | <u>(488,411)</u>                        | <u>(151,296)</u>                        |
| <b>Net cash (used in)/generated from financing activities</b> |      | <u>(14,220)</u>                         | <u>498,527</u>                          |
| Net increase in cash and cash equivalents                     |      | 115                                     | 107                                     |
| Cash and cash equivalents at beginning of the year            |      | <u>675</u>                              | <u>568</u>                              |
| <b>Cash and cash equivalents at end of the year</b>           | 10   | <u><u>790</u></u>                       | <u><u>675</u></u>                       |

The accompanying notes on pages 12 to 21 form an integral part of the financial statements.

## PIPS ASSET INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

#### 1. ACCOUNTING POLICIES

##### BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with the applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently for each of the periods presented, unless otherwise stated.

The preparation of the financial statements necessarily requires the exercise of judgment both in the application of accounting policies which are set out in the sections below and in the selection of assumptions used in the calculation of estimates. These estimates and judgments are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. Actual results may differ from these estimates.

The following pronouncements were effective during the year and relevant to the Company:

| <u>Pronouncement</u>  | <u>Nature of change</u>   | <u>IASB effective date</u>                          |
|---|---|---|
| Amendment to IAS 1, 'Disclosure Initiative' (issued January 2016)   | The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.<br><br>The Company is currently assessing the impact of IAS 1   | Annual periods beginning on or after 1 January 2017 |
| Amendments to IAS 7, 'Disclosure Initiative' (issued February 2016) | The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.<br><br>The company is currently assessing the impact of IAS 7 | Annual periods beginning on or after 1 January 2017 |

The following pronouncements will be relevant to the Company but were not effective as at 31 December 2017:

|                                |   |   |
|--------------------------------|---|---|
| IFRS 9 'Financial instruments' | This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.<br><br>The Company is currently assessing the impact of IFRS 9, in particular an assessment of the business model for receivables and whether the cash flows are solely payments of principle and interest test ("SPPI" test). However the work is not sufficiently complete for the company to provide a reasonably estimable information on the impact. | Annual periods beginning on or after 1 January 2018 |
|--------------------------------|---|---|

## PIPS ASSET INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

#### 1. ACCOUNTING POLICIES (CONTINUED)

| <u>Pronouncement</u>          | <u>Nature of change</u>   | <u>IASB effective date</u>                          |
|-------------------------------|---|---|
| IFRS 17 'Insurance Contracts' | This standard replaces the guidance in IFRS 4. IFRS 17 sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. | Annual periods beginning on or after 1 January 2021 |

##### (a) Revenue recognition

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided. Coupon or dividends received on investment in irredeemable shares, which carry a mandatory coupon, are recognised in the Statement of Comprehensive Income as interest income.

##### (b) Income taxes, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

##### (c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### (d) Loans and receivables

Loans and receivables are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. The loan from the Company to Lloyds Bank plc is classified within 'amounts owed by intermediate group company', and the loan advanced from Lloyds Bank plc to the Company is classified within 'amounts owed to intermediate group company'.

##### (e) Impairment

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset has become impaired. If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate.

## PIPS ASSET INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

#### (f) Financial guarantees

Issued financial guarantees are initially recognised at their fair value, and subsequently measured at the higher of the unamortised balance of the related fees received and deferred, and the expenditure required to settle the commitment at the Balance Sheet date. The latter is recognised when it is both probable that the guarantee will need to be settled and that the settlement amount can be reliably estimated. Financial guarantees are recognised within trade receivables.

#### (g) Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit or loss on initial recognition which are held at fair value.

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation is discharged), cancelled or expire.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies deemed critical to the Company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

#### Deemed loans

The loan reflects the Securities purchased by the Company from Lloyds Bank plc. On purchasing the Securities, the Company simultaneously entered into Total Return Swap arrangements with Lloyds Bank plc in respect of them i.e. the risks and rewards of holding the Securities remained with Lloyds Bank plc. To reflect the substance of this transaction, the Securities have been recognised as a deemed loan from Lloyds Bank plc to the Company

#### Impairment of loans and receivables

The Company determines that the loans and receivables are impaired when the present value of the estimated future cash flows do not exceed their recoverable amount. Estimating the future cash flows requires a degree of judgement and may depend to a large extent on the selection of key assumptions about the future use.

## 3. NET INTEREST INCOME

|   | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|---|---|---|
| <i>Interest and similar income</i>                    |   |   |
| Amounts owed by intermediate parent company (note 10) | <u>7,760</u>                            | <u>9,342</u>                            |
|   | <u>7,760</u>                            | <u>9,342</u>                            |
| <i>Interest and similar expense</i>                   |   |   |
| Amounts owed to intermediate parent company (note 10) | <u>(7,711)</u>                          | <u>(9,269)</u>                          |
|   | <u>(7,711)</u>                          | <u>(9,269)</u>                          |
| Net interest income                                   | <u>49</u>                               | <u>73</u>                               |

## 4. OTHER INCOME

|                                | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|--------------------------------|---|---|
| Guarantee fee income (note 10) | <u>100</u>                              | <u>100</u>                              |
|                                | <u>100</u>                              | <u>100</u>                              |

Annual guarantee fee of £100,000 (2016:£100,000) receivable from Lloyds Bank plc.

Statutory audit fees for the current year of £5,000 (2016: £5,000) were borne by Lloyds Bank plc. The number of persons employed by the Company during the year was nil (2016: nil).

# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 5. TAXATION

#### (a) Analysis of charge for the year

|                         | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|-------------------------|---|---|
| Current year tax charge | <u>29</u>                               | <u>35</u>                               |

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit for the year.

#### (b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax is given below:

|   | Year ended<br>31 December 2017<br>£'000 | Year ended<br>31 December 2016<br>£'000 |
|---|---|---|
| Profit before taxation  | <u>149</u>                              | <u>173</u>                              |
| Tax charge thereon at UK corporation tax rate of 19.25%<br>(2016: 20.00%) | <u>29</u>                               | <u>35</u>                               |
| <b>Total taxation</b>   | <u><u>29</u></u>                        | <u><u>35</u></u>                        |
| <b>Effective rate</b>   | <u><u>19.25%</u></u>                    | <u><u>20.00%</u></u>                    |

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

### 6. TRADE AND OTHER RECEIVABLES

|                                       | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|---------------------------------------|------------------------------------|------------------------------------|
| Accrued interest receivable (note 10) | <u>441</u>                         | <u>698</u>                         |
|                                       | <u><u>441</u></u>                  | <u><u>698</u></u>                  |

### 7. CURRENT TAX LIABILITIES

|                         | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|-------------------------|------------------------------------|------------------------------------|
| Corporation tax payable | <u>29</u>                          | <u>35</u>                          |
|                         | <u><u>29</u></u>                   | <u><u>35</u></u>                   |



# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 8. OTHER CURRENT LIABILITIES

|                            | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|----------------------------|------------------------------------|------------------------------------|
| Interest payable (note 10) | <u>440</u>                         | <u>696</u>                         |
|                            | <u>440</u>                         | <u>696</u>                         |

### 9. SHARE CAPITAL

|  | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|--|------------------------------------|------------------------------------|
| 9,999 ordinary A shares of £1,000 each (2016: 9,999) | 9,999                              | 9,999                              |
| 1 ordinary B share of £1,000 each (2016: 1)          | <u>1</u>                           | <u>1</u>                           |
|  | <u>10,000</u>                      | <u>10,000</u>                      |

As permitted by the Companies Act 2006, the Company has removed references to authorised share capital from its articles of association.

|                               | 2017<br>Number of<br>shares | 2016<br>Number of<br>shares | 2017<br>£'000 | 2016<br>£'000 |
|-------------------------------|-----------------------------|-----------------------------|---------------|---------------|
| <b>Issued and fully paid:</b> |                             |                             |               |               |
| At the end of the year        | <u>10,000</u>               | <u>10,000</u>               | <u>10,000</u> | <u>10,000</u> |

At year end, Lloyds Bank Financial Services (Holdings) Limited ("LBFSH") holds 100% of the Class A shares. Lloyds Banking Group Pensions Trustees Ltd. ("Pension Scheme") hold 100% of the Class B shares.

#### The rights of the Class A ordinary shares of £1,000 are as follows:

- Carry the rights to all dividends declared and paid according to the amounts paid up on the shares; and
- Shares are irredeemable; and
- The right to vote is determined by reference to the register of members. The aggregate number of votes exercisable by the holders of the Class A ordinary shares is four times the number of votes exercisable by the Class B shareholder; and
- Provides no rights to capital distribution upon liquidation other than those stated as a matter of law.

#### The rights of the Class B ordinary share of £1,000 are as follows:

- Carries no rights to dividends; and
- Share is irredeemable; and
- The right to vote is determined by reference to the register of members. Each vote is then equal to the number of B shares held by each Class B shareholder; and
- Provides no rights to capital distribution upon liquidation other than those stated as a matter of law.

### 10. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Lloyds Bank Financial Services (Holdings) Limited. The Company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, which is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and is the ultimate controlling party of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group financial statements of both may be obtained from the Company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Company's related parties include its ultimate parent company, fellow subsidiaries and 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.

# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 10. RELATED PARTY TRANSACTIONS (CONTINUED)

#### *Transactions with key management personnel*

There were no transactions between the Company or its subsidiaries with key management personnel during the current 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 with the Group.

#### *Balances with intermediate parent company*

|  | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|--|------------------------------------|------------------------------------|
| Cash balance with intermediate parent company -<br>Lloyds Bank plc | <u>790</u>                         | <u>675</u>                         |
| Guarantee fee income (note 4)                                      | <u>100</u>                         | <u>100</u>                         |

#### *Amounts owed by intermediate parent company*

|  | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|--|------------------------------------|------------------------------------|
| At beginning of the year                 | 1,673,964                          | 1,166,046                          |
| Advances during the year                 | 482,158                            | 659,214                            |
| Repayments during the year               | <u>(488,411)</u>                   | <u>(151,296)</u>                   |
| At end of the year                       | <u>1,667,711</u>                   | <u>1,673,964</u>                   |
| Represented by:                          |                                    |                                    |
| Non - Current                            | 1,667,711                          | 1,272,678                          |
| Current                                  | <u>-</u>                           | <u>401,286</u>                     |
| Representing:                            |                                    |                                    |
| Lloyds Bank plc                          | <u>1,667,711</u>                   | <u>1,673,964</u>                   |
| Interest income during the year (note 3) | <u>7,760</u>                       | <u>9,342</u>                       |
| Interest receivable (note 6)             | <u>441</u>                         | <u>698</u>                         |

The loan reflects the Securities purchased by the Company from Lloyds Bank plc. On purchasing the Securities, the Company simultaneously entered into total return swap arrangements with Lloyds Bank plc in respect of them i.e. the risks and rewards of holding the Securities remained with Lloyds Bank plc. To reflect the substance of this transaction, the Securities have been recognised as a deemed loan from Lloyds Bank plc to the Company.

The deemed loan advanced to Lloyds Bank pays at the 6 month GBP LIBOR rate. No impairment has arisen in respect of the loan balance and accordingly no provision has been recognised. The fair value of the loan is approximately equal to the book value. The loan reflects the rights and obligations of the Company and Lloyds Bank under sale and purchase and total return swap arrangements in respect of the Securities.

#### *Amounts owed to intermediate parent company*

|                           | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|---------------------------|------------------------------------|------------------------------------|
| At beginning of the year  | 1,663,964                          | 1,156,046                          |
| Advanced during the year  | 482,158                            | 659,214                            |
| Repayment during the year | <u>(488,411)</u>                   | <u>(151,296)</u>                   |
| At end of the year        | <u>1,657,711</u>                   | <u>1,663,964</u>                   |
| Represented by:           |                                    |                                    |
| Non - Current             | 1,657,711                          | 1,262,678                          |
| Current                   | <u>-</u>                           | <u>401,286</u>                     |

# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 10. RELATED PARTY TRANSACTIONS (CONTINUED)

Representing:

|  |                  |                  |
|--|------------------|------------------|
| Lloyds Bank plc                          | <u>1,657,711</u> | <u>1,663,964</u> |
| Interest charge during the year (note 3) | <u>7,711</u>     | <u>9,269</u>     |
| Interest payable (note 8)                | <u>440</u>       | <u>696</u>       |

The loan advanced from Lloyds Bank charges six month GBP LIBOR rate. The fair value of the borrowing is approximately equal to the book value.

### 11. FINANCIAL RISK MANAGEMENT

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates. The Company makes loans to other Lloyds Banking Group plc companies at floating rates and for various tenors. Such exposures to counterparties involve balance sheet loans and advances.

#### (a) Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and interest rate sensitive assets. From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the group and are not managed separately. The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Based on the simulations performed, the full year impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of approximately £27,000 (2016: £20,000).

The table below summarises the repricing mismatches of the Company's non-trading assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

| As at 31 December 2017                         | 1 month<br>or less<br>£'000 | 3 months<br>or less<br>but over<br>1 month<br>£'000 | 1 year<br>or less<br>but over<br>3 months<br>£'000 | 5 years<br>or less<br>but over<br>1 year<br>£'000 | Over 5<br>years<br>£'000 | Non-<br>interest<br>bearing<br>£'000 | Total<br>£'000   |
|--|-----------------------------|---|--|---|--------------------------|--------------------------------------|------------------|
| <i>Assets:</i>                                 |                             |   |  |   |                          |                                      |                  |
| Non-current assets:                            |                             |   |  |   |                          |                                      |                  |
| Amounts owed by<br>intermediate parent company | -                           | -   | 1,667,711  | -   | -                        | -                                    | 1,667,711        |
| Current assets:                                |                             |   |  |   |                          |                                      |                  |
| Amounts owed by<br>intermediate parent company | -                           | -   | -  | -   | -                        | -                                    | -                |
| Trade and other receivables                    | -                           | -   | -  | -   | -                        | 441                                  | 441              |
| Cash and cash equivalents                      | 790                         | -   | -  | -   | -                        | -                                    | 790              |
| Total Assets                                   | <u>790</u>                  | <u>-</u>  | <u>1,667,711</u>                                   | <u>-</u>  | <u>-</u>                 | <u>441</u>                           | <u>1,668,942</u> |

**PIPS ASSET INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2017

**11. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Interest Rate Risk (continued)**

| As at 31 December 2017                         | 1 month<br>or less<br>£'000 | 3 months<br>or less<br>but over<br>1 month<br>£'000 | 1 year<br>or less<br>but over<br>3 months<br>£'000 | 5 years<br>or less<br>but over<br>1 year<br>£'000 | Over 5<br>years<br>£'000 | Non-<br>interest<br>bearing<br>£'000 | Total<br>£'000 |
|--|-----------------------------|---|--|---|--------------------------|--------------------------------------|----------------|
| <i>Liabilities:</i>                            |                             |   |  |   |                          |                                      |                |
| Non-current liabilities:                       |                             |   |  |   |                          |                                      |                |
| Amounts owed to<br>intermediate parent company | -                           | -   | 1,657,711  | -   | -                        | -                                    | 1,657,711      |
| Current liabilities:                           |                             |   |  |   |                          |                                      |                |
| Amounts owed to<br>intermediate parent company | -                           | -   | -  | -   | -                        | -                                    | -              |
| Current tax liabilities                        | -                           | -   | -  | -   | -                        | 29                                   | 29             |
| Other current liabilities                      | -                           | -   | -  | -   | -                        | 440                                  | 440            |
| Total Liabilities                              | -                           | -   | 1,657,711  | -   | -                        | 469                                  | 1,658,180      |
| Total interest sensitivity gap                 | 790                         | -   | 10,000   | -   | -                        | (28)                                 | 10,762         |
| As at 31 December 2016                         | 1 month<br>or less<br>£'000 | 3 months<br>or less<br>but over<br>1 month<br>£'000 | 1 year<br>or less<br>but over<br>3 months<br>£'000 | 5 years<br>or less<br>but over<br>1 year<br>£'000 | Over 5<br>years<br>£'000 | Non-<br>interest<br>bearing<br>£'000 | Total<br>£'000 |
| <i>Assets:</i>                                 |                             |   |  |   |                          |                                      |                |
| Non-current assets:                            |                             |   |  |   |                          |                                      |                |
| Amounts owed by<br>intermediate parent company | -                           | -   | 1,272,678  | -   | -                        | -                                    | 1,272,678      |
| Current assets:                                |                             |   |  |   |                          |                                      |                |
| Amounts owed by<br>intermediate parent company | 206,951                     | 170,329   | 24,006   | -   | -                        | -                                    | 401,286        |
| Trade and other receivables                    | -                           | -   | -  | -   | -                        | 698                                  | 698            |
| Cash and cash equivalents                      | 675                         | -   | -  | -   | -                        | -                                    | 675            |
| Total Assets                                   | 207,626                     | 170,329   | 1,296,684  | -   | -                        | 698                                  | 1,675,337      |
| <i>Liabilities:</i>                            |                             |   |  |   |                          |                                      |                |
| Non-current liabilities:                       |                             |   |  |   |                          |                                      |                |
| Amounts owed to<br>intermediate parent company | -                           | -   | 1,262,678  | -   | -                        | -                                    | 1,262,678      |
| Current liabilities:                           |                             |   |  |   |                          |                                      |                |
| Amounts owed to<br>intermediate parent company | 206,951                     | 170,329   | 24,006   | -   | -                        | -                                    | 401,286        |
| Current tax liabilities                        | -                           | -   | -  | -   | -                        | 35                                   | 35             |
| Other current liabilities                      | -                           | -   | -  | -   | -                        | 696                                  | 696            |
| Total Liabilities                              | 206,951                     | 170,329   | 1,286,684  | -   | -                        | 731                                  | 1,664,695      |
| Total interest sensitivity gap                 | 675                         | -   | 10,000   | -   | -                        | (33)                                 | 10,642         |

# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Fair Value of Financial Assets and Liabilities

The Deemed Loan, cash and cash equivalents and other receivables and payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value. These are classified as level 2 in accordance with IFRS13.

#### (c) Measurement Basis of Financial Assets and Liabilities

The Deemed Loan, cash and cash equivalents and other receivables and payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

#### (d) Credit Risk

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at the year end.

|   | As at<br>31 December 2017<br>£'000 | As at<br>31 December 2016<br>£'000 |
|---|------------------------------------|------------------------------------|
| Amounts owed by intermediate parent company | 1,667,711                          | 1,673,964                          |
| Trade and other receivables                 | 441                                | 698                                |
| Cash and cash equivalents                   | 790                                | 675                                |
| Total credit risk exposure                  | <u>1,668,942</u>                   | <u>1,675,337</u>                   |

The current rating of the intermediate parent company, Lloyds Bank plc, is A1 as per Moody's (2016: A1).  
None of the above assets are past due or impaired.

#### (e) Liquidity Risk

The table below analyses liabilities of the Company on an undiscounted future cash flow basis according to contractual maturity into relevant maturity groupings based on the remaining period at the balance date.

| As at 31 December 2017                         | On<br>demand<br>£'000 | Up to 1<br>month<br>£'000 | 1 - 3<br>months<br>£'000 | 3 - 12<br>months<br>£'000 | 1 - 5<br>years<br>£'000 | Over 5<br>years<br>£'000 | Total<br>£'000   |
|--|-----------------------|---------------------------|--------------------------|---------------------------|-------------------------|--------------------------|------------------|
| Non-current liabilities                        |                       |                           |                          |                           |                         |                          |                  |
| Amounts owed to<br>intermediate parent company | -                     | 1,532,601                 | -                        | 13,505                    | 85,330                  | 107,566                  | 1,739,002        |
| Current liabilities:                           |                       |                           |                          |                           |                         |                          |                  |
| Amounts owed to<br>intermediate parent company | -                     | -                         | -                        | -                         | -                       | -                        | -                |
| Other current liabilities                      | 440                   | -                         | -                        | -                         | -                       | -                        | 440              |
| Total Liabilities                              | <u>440</u>            | <u>1,532,601</u>          | <u>-</u>                 | <u>13,505</u>             | <u>85,330</u>           | <u>107,566</u>           | <u>1,739,442</u> |

# PIPS ASSET INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

### 11. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (e) Liquidity Risk (continued)

| As at 31 December 2016                      | On demand<br>£'000 | Up to 1 month<br>£'000 | 1 - 3 months<br>£'000 | 3 - 12 months<br>£'000 | 1 - 5 years<br>£'000 | Over 5 years<br>£'000 | Total<br>£'000   |
|---|--------------------|------------------------|-----------------------|------------------------|----------------------|-----------------------|------------------|
| Non-current liabilities                     |                    |                        |                       |                        |                      |                       |                  |
| Amounts owed to intermediate parent company | -                  | -                      | 8,662                 | 5,893                  | 489,393              | 736,192               | 1,240,140        |
| Current liabilities:                        |                    |                        |                       |                        |                      |                       |                  |
| Amounts owed to intermediate parent company | -                  | 65,491                 | 2,104                 | 335,164                | -                    | -                     | 402,759          |
| Other current liabilities                   | 696                | -                      | -                     | -                      | -                    | -                     | 696              |
| <b>Total Liabilities</b>                    | <b>696</b>         | <b>65,491</b>          | <b>10,766</b>         | <b>341,057</b>         | <b>489,393</b>       | <b>736,192</b>        | <b>1,643,595</b> |

#### (f) Capital Risk Management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

### 12. FINANCIAL GUARANTEE

On 22 May 2012, the Company entered into a Guarantee and Charge Deed ("Guarantee") with Lloyds Bank and the Pension Scheme pursuant to which the Company provides a guarantee and indemnity to the Pension Scheme for the punctual performance of all the "Guaranteed Liabilities". The Guaranteed Liabilities comprise pension deficit contributions due from employers participating in the PIP section of the Pension Scheme from time to time and certain other debts which may arise under the Pensions Act 1995. The obligations of the Company under the Guarantee cannot exceed an agreed amount.

The Company has granted the Pension Scheme a charge over all of its assets to secure the Company's obligations under the Guarantee.

This Guarantee has been accounted for as an insurance contract in accordance with IFRS4. At this stage, the Company does not foresee any payout from the Guarantee and have therefore valued it at nil (2016: £nil).

The following table shows the market value of securities held on behalf of the Company by Bank of New York Mellon (London Branch) in its capacity as the custodian and charged by the Company in support of its obligations under the Guarantee as at 31 December 2017.

|                      | 2017<br>Market Value<br>£'000 | 2016<br>Market Value<br>£'000 |
|----------------------|-------------------------------|-------------------------------|
| Security             |                               |                               |
| Securitisation notes | 1,719,198                     | 1,721,941                     |
|                      | <u>1,719,198</u>              | <u>1,721,941</u>              |

The Guarantee amount as at 31 December 2017 was £1,500,000,000 (2016: £1,500,000,000).

## **PIPS ASSET INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2017

#### **13. EVENTS AFTER BALANCE SHEET DATE**

As of 31 January 2018 the Financial guarantee amount, detailed in Note 12 above, decreased to £1,375,000,000 (2017: £1,500,000,000) as a result of the scheduled semi annual valuation, as noted in the framework agreement. There are no additional events after the Balance Sheet date that the directors are aware of and require to bring to the attention of the Company.