Scottish Widows Group Limited

Annual Report and Accounts
2019

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

N E T Prettejohn (Chairman)

J E M Curtis
J F Hylands
A M Blance
A Lorenzo*
C J G Moulder
S J O'Connor
K Cheetham
J R A Bond
G E Schumacher
W L D Chalmers
J C S Hillman*

* denotes Executive Director

Company Secretary

J M Jolly

Independent Auditors

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

Registered Office

69 Morrison Street
Edinburgh
Midlothian
EH3 8YF

Company Number

SC199547

STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Group Limited (the 'Company') for the year ended 31 December 2019. The Company is limited by share capital. The Company contributes to the results of the Insurance and Wealth Division of Lloyds Banking Group (LBG).

Principal activities

Scottish Widows was founded in 1815, and since then we have been focused on helping customers protect themselves today whilst preparing for a secure financial future. Our objective is to be the best insurance and retirement savings business for customers; providing simple, trusted, value for money products accessible through our customers' preferred channels.

The Company's principal activity is that of a holding company. Its three directly owned subsidiaries are Scottish Widows Limited (SWL), Lloyds Bank General Insurance Holdings Limited (LBGIH) and Scottish Widows Financial Services Holdings Limited (SWFSH).

The Company has an interest in the life assurance and pensions sector through its investment in Scottish Widows Limited and general insurance through its investment in Lloyds Bank General Insurance Holdings Limited.

The United Kingdom leaving the European Union

The LBG Insurance and Wealth Division has already considered many of the potential implications following the UK's vote to leave the European Union (EU) and continues to manage related developments to assess, and if possible mitigate any impact to its customers, colleagues and products − as well as legal, regulatory, tax, finance and capital implications.

There is ongoing uncertainty around the EU exit outcome. With a UK customer base, the Company could be impacted through the impact on the wider economy. As part of the LBG Insurance and Wealth Division, the Company is engaged in mitigating this risk through internal contingency plans, which are regularly reviewed, tracking market conditions and sector reviews including an assessment of EU exit risk and no deal outcomes.

Coronavirus

Our business has primarily a UK focus and the outbreak of Covid-19, in line with its global impact, is expected to adversely impact the UK economy as well as causing volatility in global financial markets. As the situation continues to evolve, so does our assessment of the risks and the degree to which they might crystallise. The Company's resilience to such events is regularly reviewed through stress and scenario testing; plans to continue to operate critical business processes are in place and are being reviewed in light of the Covid-19 outbreak.

Climate change

As part of LBG, the Company is committed to supporting the UK to successfully engage with the opportunities and challenges created by climate change and the need to transition to a low carbon economy. LBG has set ambitions anchored to the goals laid out in the UK Government's Clean Growth Strategy, which align closely to LBG's business priorities. The ambition that is relevant to the Company is: be part of a leading UK bank in reducing our own carbon footprint and challenging our suppliers to ensure our own consumption of resources, goods and services is sustainable.

Further details of the LBG approach of transitioning to a low carbon economy can be found in the Lloyds Banking Group Annual Report and Accounts, which can be downloaded via www.lloydsbankinggroup.com.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The financial risk management objectives and policies of the Company and the exposure to market, credit, financial soundness (capital, liquidity and financial reporting) and operational risks are set out in note 16.

In addition, the Company through its investments in subsidiaries, is also exposed to financial risk, in particular the risk of reputational damage, loss of investor confidence and/or financial loss arising from the adoption of inappropriate accounting policies, ineffective controls over financial reporting and financial reporting fraud. The financial and risk, management objectives and policies of the Company in respect of financial risk are also set out in note 16.

Corporate Governance

Fundamental to the Company's strategy are high standards of corporate governance. A Corporate Governance Framework is in place for the Scottish Widows Group of companies, of which the Company is a part, which sets the approach and applicable standards in respect of the Company's corporate governance arrangements whilst addressing the matters set out in the Principles.

STRATEGIC REPORT (continued)

This include the matters reserved to the Board, and the matters the Board has chosen to delegate to management, including decision making on operational matters such as those relating to credit, liquidity and the day to day management of risk, and the governance requirements of the operation of the Company outside of Lloyds Banking Group's Ring Fenced Bank. Governance arrangements, including the Corporate Governance Framework, are reviewed at least annually to ensure they remain fit for purpose. The Corporate Governance Framework of the Company further addresses the requirements of the Principles as follows.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group plc ('LBG'), and overseeing delivery against it. The Board also assumes responsibilities for the management of the culture, values and wider standards of the Company, within the equivalent standards set by LBG.

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers is a vital part of the corporate culture. The Company's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers. To this end, the Board plays a lead role in establishing, promoting and monitoring the company's corporate culture and values, with the Corporate Governance Framework ensuring such matters receive the level of prominence in Board and Executive decision making which they require. The Company's corporate culture and values closely align to those of LBG, which are discussed in more detail in the LBG annual report and accounts for 2019.

Principle Two – Board Composition

The Company is led by a Board comprising a Non-Executive Chairman, independent Non-Executive Directors and Executive Directors, further details of the directors can be found on page 2. The Board considers its composition regularly, and is committed to ensuring it has the right balance of skills and experience. The Board considers its current size and composition is appropriate to the Company's circumstances and places great emphasis on ensuring its membership reflects diversity in its broadest sense, for example five out of twelve directors are women. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring overall. There are a range of initiatives to help provide mentoring and development opportunities for female and BAME executives within LBG, and to ensure unbiased career progression opportunities.

The Board is supported by its committees, the operation of which is discussed below, which make recommendations to the Board on matters delegated to them, in particular in relation to internal control, risk, and financial reporting. Each committee has written terms of reference setting out its delegated responsibilities. Each committee comprises individuals with appropriate skills and experiences and is chaired by an experienced chairman. The committee chairs report to the Board at each Board meeting.

The Board periodically undertakes reviews of its effectiveness, which provide an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development. The effectiveness reviews are commissioned by the Chairman of the Board, assisted by the Company Secretary. In addition to considering the effectiveness of the Board, the effectiveness of the Board committees is also considered. The Chairman also ensures that the individual performance of individual directors is reviewed.

Principle Three – Director Responsibilities

The Directors assume ultimate responsibility for all matters, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation though the Corporate Governance Framework. Policies are also in place in relation to potential conflicts of interest which may arise.

The Board is supported by its committees which make recommendations on matters delegated to them under the Corporate Governance Framework. The management of all committees is in keeping with the basis on which meetings of the Board are managed, with open debate, and adequate time for members to consider proposals which are put forward. The Chairman of the Board and each Board committee assumes responsibility with support from the Company Secretary for the provision to each meeting of accurate and timely information.

Principle Four – Opportunity and Risk

The Board oversees the development and implementation of the Company's strategy, within the context of the wider strategy of LBG, which includes consideration of all strategic opportunities.

The Board is also responsible for the long term sustainable success of the Company, generating value for its shareholders and ensuring a positive contribution to society. The Board agrees the Company's culture, purpose, values and strategy, within that of LBG more widely, and agrees the related standards of the Company, again within the relevant standards of LBG. Further specific aims and objectives of the Board are formalised within the Corporate Governance Framework.

STRATEGIC REPORT (continued)

Strong risk management is central to the strategy of the Company, which along with a robust risk control framework acts as the foundation for the delivery of effective management of risk. The Board agrees the Company's risk appetite, within the wider risk appetite of LBG, and ensures the Company manages risk effectively, delegating related authorities to individuals through the Corporate Governance Framework and the further management hierarchy. Board level engagement, coupled with the direct involvement of senior management in risk issues ensures that escalated issues are promptly addressed and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of LBG, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principle risks are discussed further on page 30.

Principle Five – Remuneration

The Remuneration Committee of LBG (the 'Remuneration Committees'), assume responsibility for the Group's approach to remuneration. This includes reviewing and making recommendations on remuneration policy as relevant to the Company, ranging from the remuneration of directors and members of the Executive to that of all other colleagues employed by the Company. This includes colleagues where the regulators require the Company to implement a specific approach to their remuneration, such as Senior Managers and other material risk takers. The activities of the Remuneration Committees extend to matters of remuneration relevant to subsidiaries of the Company, where such subsidiary does not have its own remuneration committees.

Principle Six – Stakeholders

The Company as part of LBG operates under LBG's wider Responsible Business approach, which acknowledges that the Company has a responsibility to help address the economic, social and environmental challenges which the UK faces, and as part of this understand the needs of the Company's external stakeholders, including in the development and implementation of strategy. Central to this is LBG's Helping Britain Prosper plan, in which the Company participates, which seeks to gather stakeholder views through a dedicated materiality study, as overseen by LBG's Responsible Business Committee.

In 2019, the Responsible Business Committee determined that the Company and LBG continued to demonstrate responsibility as a key priority, including keeping customers' data safe, supporting vulnerable customers, lending responsibly, supporting businesses and working with suppliers. The approach of the Board in respect of its non-colleague stakeholders is described in the separate statement made in compliance with the Regulations, in the following section.

Section 172 (1) Statement and Statement of Engagement with Other Stakeholders

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide the following statement describing how they have had regard to the matters set out in section172(1) of the Act, when performing their duty to promote the success of the Company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 8.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc ('LBG'), and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of LBG, achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the year been central to the activities of the Directors, as discussed below.

Customers

The Directors ensure the Company as part of LBG works toward achieving LBG's customer ambitions, to treat all customers fairly, and make it easy for customers to find, understand and access products that are right for them. To ensure Directors truly understand the needs of customers, every opportunity is taken to consider direct customer feedback and related management information, including as part of the Directors' strategic decision making process. The Directors undertook Digital Lab visits designed to bring senior leaders across LBG closer to customers. The Directors have also worked to ensure the business of the Company is undertaken in line with the objectives of LBG's annually agreed customer plans, with the Directors regularly reviewing customer complaints to understand areas where improvements can be made in responding to complaints. LBG regularly benchmarks amongst its customers the performance of itself and its subsidiaries, including the Company, and uses this insight along with a range of internal and external research to ensure ongoing improvement in customer experience. The Directors ensure the Company plays an active part in LBG's wider customer ambitions, as acknowledged in the Company's strategy, which during the course of the year has included the ongoing development of market leading digital propositions, more personalised customer propositions and better experience for customers across all channels.

STRATEGIC REPORT (continued)

Shareholders

The Company is a wholly owned subsidiary of LBG, forming part of LBG's Insurance and Wealth Division. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic Report within the LBG Annual Report and Accounts for 2019, available on the LBG website.

Communities and the Environment

The Directors acknowledge that the Company, as part of one of the largest retail and commercial financial services providers in the UK, has responsibilities to invest in the communities in which it operates, to help them prosper economically and build social cohesion by tackling disadvantage. The Company participates in all related LBG initiatives, with the Directors' ensuring the Company plays an appropriate role in LBG's related Helping Britain Prosper Plan. Further information in respect of the LBG approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the LBG Annual Report and Accounts for 2019. Additional information on LBG's Helping Britain Prosper Plan is available on the LBG website.

The Responsible Business Committee of the Board of LBG is responsible for overseeing LBG's performance, including that of the Company, as a Responsible Business, by providing oversight of and support for LBG's strategy and plans for embedding responsible business as part of both LBG's and the Company's purpose to Help Britain Prosper. Priorities during the year have included ongoing focus on three key areas aligned to LBG's Bank of the Future strategy. These included consideration of the progress of the Lloyds Bank Academy and the external initiative 'future.now', both designed to boost digital skills in the UK. Progress against agreed sustainability strategy was considered, where consistent progress was made in achieving targets such as providing support for the EV1000 electric vehicles initiative. Consideration was also given to the relationship between LBG and its charitable foundations, in particular the work they do in the communities in which LBG and the Company operate. Further information in respect of LBG's and the Company's Responsible Business activities is included on pages 26 to 35 of the LBG Annual Report and Accounts for 2019, available on the LBG website, along with further discussion of the work of LBG's Responsible Business Committee.

Suppliers

The Company's approach to supplier management is part of that of LBG, which works with around 3,100 active suppliers of varying sizes, most in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communication. The Company and LBG seek to improve the experience of suppliers, with feedback regularly sought on related assurance processes to ensure continual improvement in the process. Suppliers are also encouraged to express their satisfaction or otherwise, and have access to LBG and the Company's whistleblowing service.

In 2019 LBG's supplier expenditure was £5.9 billion, with 95 per cent of third party suppliers being located in the UK. Importance is placed on having the right supplier framework to operate responsibly. LBG's Sourcing & Supply Chain Management Policy applies to all businesses, divisions, and subsidiaries of LBG, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. This Policy has been designed to assist in managing the inherent risk in outsourcing services, and dealing with third party suppliers. Suppliers are required to adhere to relevant LBG policies and comply with LBG's Code of Supplier Responsibility which can be found on the LBG website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and LBG to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Result for the year

The result of the Company for the year ended 31 December 2019 is a profit before tax of £407m (2018: £1,890m).

Key performance indicator

Dividends totalling £510m were received from subsidiary undertakings (2018: £1,930m).

The Directors believe that the Company currently has adequate capital resources and will continue to do so in the foreseeable future. On a Solvency II basis the estimated regulatory surplus of the Company in excess of capital requirements is £3,283m (2018: £2,900m).

The Directors consider that the above are the key performance indicators which are appropriate to the principal activity of the Company. These, together with other metrics which cover customer, operational measures and capital, are included in the balanced scorecard which is used to measure all aspects of the performance of the business.

The Company also forms part of LBG's Insurance and Wealth Division. The development, performance and position of the Insurance and Wealth Division are presented within LBG's annual report, which does not form part of this report.

STRATEGIC REPORT (continued)

Review of the business

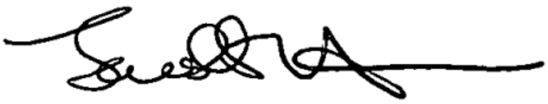
In addition to the progress made against the strategic initiatives summarised earlier there are other areas that are worthy of note and these are described below. Decisions taken in the areas described below and in pursuit of our strategy are brought to the Board for due consideration and approval.

Following a review of the net asset values of subsidiary companies, a charge of £61.8m (2018: nil) has been made to comprehensive income representing impairment in value of the holding in Scottish Widows Financial Services Holdings Limited.

Outlook

The Directors consider that the Company's principal activities will continue unchanged in the foreseeable future.

On behalf of the Board of Directors



J C S Hillman
Director
20 March 2020

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company, a limited company domiciled and incorporated in the United Kingdom, whose principal activity is that of a holding company. The Company is a wholly owned subsidiary of Lloyds Banking Group plc.

Results and dividends

The result of the Company for the year ended 31 December 2019 is a profit for the year of £425m (2018: restated profit of £1,913m) and this has been transferred to reserves. The result for the year reflects income from shares in subsidiaries and investments and an impairment of a subsidiary company.

The Directors consider this result to be satisfactory in light of the activities of the Company during the year. During the year, the Company paid dividends of £570m (2018: £1,348m). Further information can be found in note 15.

Post balance sheet events

An interim dividend of £435m in respect of the year ending 31 December 2020 was declared on 6 February 2020 and paid to LBG on 12 February 2020.

Further information on post balance sheet events is set out in note 20.

Directors

The names of the current Directors are listed on page 2. Changes in directorships during the year and since the end of the year are as follows:

J R A Bond	(appointed 24 July 2019)
G E Schumacher	(appointed 24 July 2019)
M G Culmer	(resigned 1 August 2019)
W L D Chalmers	(appointed 9 August 2019)
M Harris	(resigned 5 December 2019)
J C S Hillman	(appointed 10 December 2019)
J Pfaudler	(resigned 18 December 2019)

Particulars of the Directors' emoluments are set out in note 17.

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the Directors' periods of office. The deed indemnifies the Directors to the maximum extent permitted by law.

The deed for existing Directors is 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.

Political contributions

During the year, the Company made no political contributions (2018: £nil).

Disclosure of information to auditors

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

Future developments

Future developments are detailed within the Strategic Report.

DIRECTORS' REPORT (Continued)

Financial risk management

Disclosures relating to financial risk management are included in note 16 to the financial statements and are therefore incorporated into this report by reference.

Corporate Governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), for the year ended 31 December 2019, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the 'Principles'). Further details regarding the Company's approach to corporate governance, and its application of the Principles appear in the Strategic Report on pages 3 to 5.

Statement of Engagement with Other Stakeholders

Disclosures relating to engagement with suppliers, customers and others are included in the Strategic Report and are therefore incorporated into this report by reference.

Going concern

The going concern of the Company is dependent on successfully maintaining adequate levels of capital and liquidity. In order to satisfy themselves that the Company have adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management section under principal risks and uncertainties. These include the liquidity and capital position in addition to considering projections (including stress testing) for the Company's capital and liquidity position. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

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 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.

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.

On behalf of the Board of Directors

J C S Hillman
Director
20 March 2020

Independent auditors' report to the members of Scottish Widows Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Widows Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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.

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 9, 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. 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.

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.

Sue Morling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
20 March 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 Restated £000
Revenue			
Income from shares in subsidiary undertakings		510,000	1,930,000
Investment income	3	745	495
Total revenue		510,745	1,930,495
Operating expenses			
Impairment in value of subsidiary company	7	(61,772)	-
Finance costs	5	(41,801)	(40,320)
Total operating expenses		(103,573)	(40,320)
Profit before tax		407,172	1,890,175
Taxation credit	6	17,953	22,949
Profit for the year and total comprehensive income		425,125	1,913,124

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

The notes set out on pages 16 to 39 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	7	10,362,138	10,423,910
Total non-current assets		10,362,138	10,423,910
Current assets			
Cash and cash equivalents	8	80,292	149,697
Current tax receivable	9	17,953	28,163
Total current assets		98,245	177,860
Total assets		10,460,383	10,601,770
EQUITY			
Share capital	10	1,005,955	1,005,955
Share premium	10	589,439	589,439
Equity instruments	11	305,000	305,000
Retained earnings		7,022,378	7,167,444
Total equity		8,922,772	9,067,838
LIABILITIES			
Non-current liabilities			
Subordinated debt	13	1,159,000	1,159,000
Amounts due to Group undertakings	12	351,346	347,582
Total non-current liabilities		1,510,346	1,506,582
Current liabilities			
Amounts due to Group undertakings	12	27,265	27,350
Total current liabilities		27,265	27,350
Total liabilities		1,537,611	1,533,932
Total liabilities and equity		10,460,383	10,601,770

The notes set out on pages 16 to 39 are an integral part of these financial statements.

The financial statements on pages 12 to 39 were approved by the Board of Directors on 19 March 2020 and signed on its behalf by

J C S Hillman
Director
20 March 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from/ (used in) operating activities			
Profit before tax		407,172	1,890,175
Adjustments for:			
Income from shares in subsidiary undertakings		(510,000)	(1,930,000)
Impairment of investment in subsidiary	7	61,772	-
Finance costs	5	41,801	40,320
Investment income	3	(745)	(495)
Other non-cash movements		(3,680)	443
Net increase / (decrease) in operating assets and liabilities	14	3,679	(7,059)
Taxation received		28,163	23,263
Net cash flows from/ (used in) operating activities		28,162	16,647
Cash flows from investing activities			
Dividends received		510,000	1,930,000
Investment income received	3	745	495
Net cash flows from investing activities		510,745	1,930,495
Cash flows used in financing activities			
Dividends paid		(570,303)	(1,347,870)
Finance costs paid		(38,009)	(40,003)
Redemption of undated subordinated debt		-	(517,440)
Repurchase of undated preference shares		-	(17,044)
Net cash flows used in financing activities		(608,312)	(1,922,357)
Net (decrease) / increase in cash and cash equivalents		(69,405)	24,785
Cash and cash equivalents at the beginning of the year		149,697	124,912
Net cash and cash equivalents at the end of the year	8	80,292	149,697

The notes set out on pages 16 to 39 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Ordinary Share capital	Retained earnings	Equity holder interests	Other shareholder interests	Equity instruments	Total Equity
		£000	£000	£000	£000	£000	£000
Balance as at 1 January 2018		1,000,000	6,623,741	7,623,741	595,394	795,000	9,014,135
Profit for the year and total comprehensive income (restated)		-	1,913,124	1,913,124	-	-	1,913,124
Dividends	15	-	(1,200,000)	(1,200,000)	(65,918)	(81,191)	(1,347,109)
Transfer (restated)		-	(147,109)	(147,109)	65,918	81,191	-
Tax on repurchase of undated preference shares		-	(85)	(85)	-	-	(85)
Redemption of undated subordinated debt		-	-	-	-	(490,000)	(490,000)
Loss on redemption of undated subordinated debt		-	(27,440)	(27,440)	-	-	(27,440)
Tax credit on redemption of undated subordinated debt		-	5,213	5,213	-	-	5,213
Balance as at 31 December 2018 (restated)	10, 11	1,000,000	7,167,444	8,167,444	595,394	305,000	9,067,838
Profit for the year and total comprehensive income		-	425,125	425,125	-	-	425,125
Dividends	15	-	(450,000)	(450,000)	(66,757)	(53,434)	(570,191)
Transfer		-	(120,191)	(120,191)	66,757	53,434	-
Balance as at 31 December 2019	**10, 11**	**1,000,000**	**7,022,378**	**8,022,378**	**595,394**	**305,000**	**8,922,772**

The above Equity holder interests balances relate to the Class A ordinary shares held in the Company.

Transfer relates to allocation of Class B ordinary shares, Class B preference shares and dividends on undated subordinated debt.

The notes set out on pages 16 to 39 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

- in accordance with the International Accounting Standards ("IASs") and IFRSs issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations issued by its IFRS Interpretations Committee ("IFRS IC"), as endorsed by the European Union;

- in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs;

- under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities in the balance sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Standards and interpretations effective in 2019

The Company has adopted IFRIC 23 'Uncertainty over income tax' as at 1 January 2019. Adoption has had no significant impact on the financial position of the Company.

The company has implemented the amendments to IAS 12 Income Taxes with effect from 1 January 2019 and as a result tax relief on distributions on other equity instruments, previously taken directly to retained profits, is reported within tax expense in the income statement. Comparatives have been restated. Adoption of these amendments to IAS 12 have resulted in a reduction in tax expense and an increase in profit for the year ended 31 December 2019 of £10,152k (2018: £15,426k)

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

(b) Financial assets and financial liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Management's policies for the recognition of specific financial assets and financial liabilities, as identified on the balance sheet, are set out under the relevant accounting policies.

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Company reclassifies financial assets when and only when its business model for managing those assets changes. A reclassification will only take place when the change is significant to the Company's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare.

The Company initially recognises loans, debt securities and subordinated liabilities when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Company is committed to purchase or sell an asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Transaction costs incidental to the acquisition of a financial asset are expensed through the statement of comprehensive income, within net gains and losses on assets and liabilities at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(c) Revenue recognition

Dividend income in respect of the Company's investments in subsidiary undertakings is recognised when the right to receive the dividend is established. All dividends received are recognised through the statement of comprehensive income, within income from shares in subsidiary undertakings.

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

(d) Finance costs

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

(e) Investment in subsidiaries

The Company's subsidiaries and associates are set out in note 7. These subsidiaries trade with a view to making a profit, and the risks and rewards of owning these subsidiaries primarily rest with the equity shareholder of the Company. These subsidiaries are held initially at cost, being the fair value of the consideration given to acquire the holding, then subsequently measured at cost subject to impairment.

(f) Cash and cash equivalents

Cash and cash equivalents include investments in liquidity funds, which are short-term highly liquid investments (excluding such investments as otherwise meet this definition but which are held for investment purposes rather than for the purposes of meeting short-term cash commitments).

Holdings in liquidity funds are measured at fair value through profit or loss, with income received recognised in investment income.

The fair value of holdings in liquidity funds is determined as the last published price applicable to the vehicle at the reporting date.

Holdings in liquidity funds are categorised as level 1 in the fair value hierarchy. These assets are valued using quoted prices in active markets for identical assets to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

(g) Impairment

Financial assets

Where an impairment charge arises in the statement of comprehensive income it includes the change in expected credit losses for financial assets held at amortised cost and certain lease receivables. Expected credit losses are calculated by using an appropriate probability of default and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings and other indicators of historic delinquency. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective. Typically financial instruments with an external credit rating of investment grade are considered to have low credit risk.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop.

A loan or receivable is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income.

Non-financial assets

Assets that have an indefinite useful life, for example investments in subsidiaries, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is charged to the relevant line in the statement of comprehensive income in the period in which it occurs. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment process

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

(h) Taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the statement of comprehensive income 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 statement of comprehensive income (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.

The tax consequences of the company’s dividend payments (including distributions on other equity investments), if any, have been charged/ credited to the statement in which the profit distributed originally arose.

(i) Share capital

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

(j) Dividends payable

Dividends payable on ordinary shares and other equity instruments are recognised in equity in the period in which they are approved.

(k) Other financial liabilities

Other financial liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within other financial liabilities.

(l) Equity instruments

Financial instruments, other than ordinary shares, that do not include contractual obligations to deliver cash or other assets to another entity are classified as equity and are recognised in Equity Instruments at the value of the net proceeds received from issuing the instrument. The measurement of those that represent the equity component of a compound financial instrument is described in note 1(m).

(m) Subordinated debt

Subordinated debt that meets the definition of a financial liability is initially recognised at fair value and subsequently measured at amortised cost. Extension features that are not closely related to the underlying liability are accounted for as separate instruments.

Subordinated debt that does not include contractual obligations to deliver cash or other assets to another entity is classified as equity and is recognised in Equity Instruments as described in note 1(l). Subordinated debt, which includes features of both equity and a financial liability, is classified as a compound financial instrument, as described in note 1(n).

(n) Compound financial instruments

Financial instruments that include features of both equity and a financial liability are classified as a compound financial instrument.

The liability component of the compound financial instrument is recognised within subordinated debt initially at fair value. Any equity component is recognised within Equity Instruments initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Critical accounting estimates and judgments in applying accounting policies

The Company's management makes estimates and judgments that affect the reported amount of assets and liabilities. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Directors also use judgement in the process of applying the Company's accounting policies. The following judgement has the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Impairment of investments

The recoverable amount of investments in subsidiaries requires judgement with regard to future cash flows and trading activities.

3. Investment income

	2019 £000	2018 £000
Interest receivable on investments in a liquidity fund	745	495
Total	745	495

4. Operating expenses

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	14	14
Fees payable to the Company's auditor and their associates for other services:		
Fees in relation to Solvency II work	58	58
Total	72	72

(a) Audit fees for 2019 and 2018 were borne by another company within the Group and are not recharged to the Company.
(b) The Company had no direct employees during the year (2018: nil).

5. Finance costs

	2019 £000	2018 £000
Dividend on undated preference shares	-	231
Interest on dated subordinated debt (note 13)	26,627	25,539
Interest on loans from subsidiary undertakings	15,174	14,550
Total	41,801	40,320

Finance costs recognised in the Statement of Comprehensive Income include £39,795k accrued interest as at 31 December 2019 (2018: £36,003k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Taxation credit

(a) Current year tax credit

	2019 £000	2018 Restated £000
Current tax:		
UK corporation tax	17,953	22,949
Adjustments in respect of prior years	-	-
Total current tax	17,953	22,949

(b) Reconciliation of tax credit

	2019 £000	2018 Restated £000
Profit before tax	407,172	1,890,175
Tax at 19% (2018: 19%)	(77,363)	(359,133)
Effects of:		
Untaxed items:		
Income from shares in subsidiary undertakings	96,900	366,700
Dividends on undated preference shares	-	(44)
Dividends on undated subordinated debt	10,152	15,426
Impairment of holding in subsidiary company	(11,736)	-
Total	17,953	22,949

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

7. Investments in subsidiaries

Investments in subsidiary undertakings are as follows:

	2019 £000	2018 £000
At 1 January	10,423,910	10,423,910
Impairment of carrying value of subsidiary company	(61,772)	-
At 31 December	10,362,138	10,423,910

An impairment of £61.8m (2018: nil) has been recognised during 2019 in respect of the investment in Scottish Widows Financial Services Holdings Limited, leaving a carrying value of £359.4m (2018: £421.1m).

Significant Estimate: Key assumptions used for value-in-use calculations
A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis. The recoverable amount for 2018 and 2019 have both been calculated on a value in use basis. A discount factor has been applied to underlying profit and dividend payments over the expected life of the subsidiary in order to establish a net present value. The applicable discount factor used for 2019 is 8.64% (2018: 8.64%).

Significant Estimate: Impairment Charge
The impairment in Scottish Widows Financial Services Holdings Limited arose following an impairment of the carrying value in Halifax Financial Services (Holdings) Limited of the investment in its subsidiary, HBOS Investment Fund Managers Limited ("HIFML"). This occurred as a result of changes to a cost sharing agreement between HIFML and Scottish Widows Limited resulting in a reduction in the HIFML value in use. Scottish Widows Financial Services Holdings Limited is the parent of HBOS Financial Services (Holdings) Limited which is the parent of Halifax Financial Services (Holdings) Limited.

Significant Estimate: Impact of possible changes in key assumptions
If the discount rate applied to the cash flow projections had been 1% higher (9.64% instead of 8.64%), the impairment charge would have been £77.8m, an increase of £16.0m. If the discount rate had been 1% lower (7.64% instead of 8.64%), the impairment charge would have been £44.0m, a decrease of £17.8m. In the prior year, there were no reasonable potential changes in any of the key assumptions that would have resulted in an impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (continued)

Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)

All of the entities below are wholly owned, directly or indirectly, by the company unless otherwise stated. Following are particulars of the Company's subsidiaries and associates:

Celsius European Lux 2 SARL	(3)
Clerical Medical Finance plc	(2)
Clerical Medical Financial Services Limited	(2)
Clerical Medical International Holdings B.V.*	(18)
Clerical Medical Investment Fund Managers Limited	(12)
Clerical Medical Managed Funds Limited *	(19)
Clerical Medical Non Sterling Guadalix Holdco BV	(5)
Clerical Medical Non Sterling Guadalix Spanish Propco SL	(6)
Clerical Medical Non Sterling Megapark Holdco BV	(5)
Clerical Medical Non Sterling Megapark Propco SA	(6)
Clerical Medical Non Sterling Property Company SARL	(3)
CM Venture Investments Limited	(7)
Dalkeith Corporation LLC	(8)
Delancey Arnold UK Limited* (50%)	(9)
Delancey Rolls UK Limited* (50%)	(9)
France Industrial Premises Holding	(10)
General Reversionary and Investment Company (80%)	(2)
Great Wigmore Property Limited (50%)	(11)
Halifax Financial Brokers Limited	(12)
Halifax Financial Services (Holdings) Limited	(12)
Halifax Financial Services Limited	(12)
Halifax General Insurance Services Limited	(12)
Halifax Investment Services Limited	(12)
Halifax Life Limited	(12)
HBOS Financial Services Limited	(2)
HBOS International Financial Services Holdings Limited	(2)
HBOS Investment Fund Managers Limited	(12)
Legacy Renewal Company Limited	(23)
Lloyds Bank General Insurance Holdings Limited^	(17)
Lloyds Bank General Insurance Limited	(14)
Lloyds Bank Insurance Services Limited	(14)
Oystercatcher Residential Limited*	(19)
Pensions Management (S.W.F.) Limited	(15)
Rolls Development UK Limited* (50%)	(9)
SARL Coliseum	(13)
SARL HIRAM	(13)
SAS Compagnie Fonciere de France	(13)
SCI Astoria Invest	(13)
SCI de l'Horloge	(13)
SCI Equinoxe	(13)
SCI Rambeateau CFF	(13)
Scottish Widows Administration Services Limited	(14)
Scottish Widows Administration Services (Nominees) Limited	(15)
Scottish Widows Annuities Limited*	(21)
Scottish Widows Auto Enrolment Services Limited	(14)
Scottish Widows Europe SA	(3)
Scottish Widows Financial Services Holdings Limited^	(1)
Scottish Widows Fund and Life Assurance Society	(15)
Scottish Widows Industrial Properties Europe BV	(16)
Scottish Widows Limited^	(14)
Scottish Widows Property Management Limited	(15)
Scottish Widows Trustees Limited	(15)
Scottish Widows Unit Funds Limited	(1)
Scottish Widows Unit Trust Managers Limited	(17)
St Andrew's Group Limited	(2)
St Andrew's Insurance plc	(2)
St Andrew's Life Assurance plc	(2)
Saint Michel Holding Company No 1	(10)
Saint Michel Investment Property	(10)
Saint Witz II Holding Company No 1	(10)
Saint Witz II Investment Property	(10)
SW Funding plc	(1)
SW No 1 Limited	(1)
SWAMF (GP) Limited*	(19)
SWAMF Nominee (1) Limited*	(19)
SWAMF Nominee (2) Limited*	(19)
The Great Wigmore Partnership (50%)	(11)
The Great Wigmore Partnership (G.P.) Limited (50%)	(11)
Thistle Investments (AMC) Limited	(24)
Thistle Investments (ERM) Limited	(24)
Waverley Fund II Investor LLC	(22)
Waverley Fund III Investor LLC	(22)

* In liquidation
^ Shares held directly by the company

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (continued)

Registered office addresses

(1) 69 Morrison Street, Edinburgh, Midlothian, EH3 8YF
(2) 33 Old Broad Street, London, EC2N 1HZ
(3) 20 Rue de Poste, L-2346, Luxembourg
(4) 1, Avenue du Bois, L-1251, Luxembourg
(5) Naritaweg 165, 1043 BW, Amsterdam, Netherlands
(6) Calle Pinar 7, 50Izquierda, 28006, Madrid, Spain
(7) RL360 House, Cooil Road, Douglas, Isle of Man, IM2 2SP
(8) Corporation Service Company, Suite 400, 2711 Centerville Road, Wilmington, DE 19808, United States
(9) 4th Floor 4 Victoria Street, St. Albans, Hertfordshire, AL1 3TF
(10) SAB Formalities, 23 Rue de Roule, Paris, 75001, France
(11) 33 Cavendish Square, London, WIG 0PW
(12) Trinity Road, Halifax, West Yorkshire, HX1 2RG
(13) 8 Avenue Hoche, 75008, Paris, France
(14) 25 Gresham Street, London, EC2V 7HN
(15) 15 Dalkeith Road, Edinburgh, EH16 5BU
(16) Hoogoorddreef, 151101BA, Amsterdam, Netherlands
(17) Charlton Place, Andover, Hampshire, SP10 1RE
(18) Prins Bernhardplein 200, 1097 JB, Amsterdam, Netherlands
(19) 1 More London Place, London, SE1 2AF
(20) Unit 2 Spinnaker Court, 1c Becketts Place, Hampton Wick, Kingston Upon Thames, Surrey, KT1 4EQ
(21) Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
(22) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
(23) Bank Of Scotland, The Mound, Edinburgh, EH1 1YZ
(24) 35 Great St. Helen’s, London, EC3A 6AP

The ability of regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by regulatory solvency requirements as well as Companies Act distributable reserves requirements. The ability of non-regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by Companies Act distributable reserves requirements.

The details on the following pages comprises a list of the Company’s subsidiaries and related undertakings in Collective Investment Vehicles along with the % held by companies owned by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held
HBOS International Investment Funds ICVC (i)	
North American Fund	95.07%
Far Eastern Fund	80.58%
European Fund	93.90%
International Growth Fund	52.53%
Japanese Fund	94.96%
HBOS Specialised Investment Funds ICVC (i)	
Cautious Managed Fund	51.84%
Ethical Fund	82.68%
Fund Of Investment Trusts	39.48%
Smaller Companies Fund	66.04%
Special Situations Fund	50.96%
HBOS UK Investment Funds ICVC (i)	
UK Equity Income Fund	61.07%
UK Growth Fund	62.31%
UK FTSE All-Share Index Tracking Fund	57.16%
HBOS Actively Managed Portfolio Funds ICVC (i)	
Diversified Return Fund	93.77%
Absolute Return Fund	93.37%
Dynamic Return Fund	96.64%
HBOS Property Investment Funds ICVC (i)	
UK Property Fund	47.63%
Scottish Widows Tracker And Specialist Investment Funds ICVC (ii)	
UK All Share Tracker Fund	91.93%
International Bond Fund	72.45%
UK Tracker Fund	45.90%
UK Fixed Interest Tracker Fund	95.79%
Emerging Markets Fund	88.50%
UK Index-Linked Tracker Fund	47.57%
UK Smaller Companies Fund	21.67%
Scottish Widows UK And Income Investment Funds ICVC (ii)	
UK Corporate Bond Fund	62.48%
UK Growth Fund	61.93%
Gilt Fund	97.01%
High Income Bond Fund	28.11%
Strategic Income Fund	65.02%
Environmental Investor Fund	71.83%
Ethical Fund	77.53%
Scottish Widows Managed Investment Funds ICVC (ii)	
International Equity Tracker Fund	73.85%
Balanced Portfolio Fund	82.53%
Progressive Portfolio Fund	72.33%
Cautious Portfolio Fund	59.91%
Cash Fund	98.74%
Opportunities Portfolio Fund	91.89%
Scottish Widows Investment Solutions Funds ICVC (ii)	
European (Ex UK) Equity Fund	96.01%
Asia Pacific (Ex Japan) Equity Fund	98.68%
Japan Equities Fund	87.22%
US Equities Fund	100.00%
Fundamental Index UK Equity Fund	87.64%
Fundamental Index Global Equity Fund	95.87%
Fundamental Index Emerging Markets Equity Fund	94.93%
Fundamental Low Volatility Index Global Equity	98.15%
Fundamental Low Volatility Index Emerging Markets Equity	96.01%
Fundamental Low Volatility Index UK Equity	92.77%
Scottish Widows Income And Growth Funds ICVC (ii)	
Balanced Growth Fund	27.34%
UK Index Linked Gilt Fund	100.00%
Corporate Bond PPF Fund	100.00%
SW Corporate Bond Tracker	100.00%
Scottish Widows GTAA 1	83.89%
Corporate Bond 1 Fund	98.31%
Adventurous Growth Fund	73.32%
ACS Pooled Property (ii)	
Scottish Widows Pooled Property ACS Fund	100.00%
Scottish Widows Pooled Property ACS Fund 2	100.00%
Scottish Widows Overseas Growth Investment Funds ICVC (ii)	
Global Growth Fund	54.55%
European Growth Fund	89.20%
American Growth Fund	84.15%
Pacific Growth Fund	75.71%
Japan Growth Fund	94.07%
BNP Paribas InstiCash (xi)	
BNP Paribas InstiCash GBP	45.19%
Aberdeen Private Equity Fund Of Funds (2007) Plc (xxviii)	96.11%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held	Name Of Umbrella And Undertaking	% Held
Aberdeen Liquidity Fund (Lux) (iv)		The TM Levitas Funds (xii)	
Aberdeen Liquidity Fund (Lux) - Ultra Short Duration	44.41%	TM Levitas A Fund	41.91%
Aberdeen Liquidity Fund (Lux) – Sterling Fund	21.41%	TM Levitas B Fund	37.11%
Aberdeen Investment ICVC (v)		Multi-Manager ICVC (xiii)	
Aberdeen Global High Yield Bond Fund	23.29%	Multi Manager UK Equity Growth Fund	82.43%
Aberdeen European Property Share Fund	36.72%	Multi Manager UK Equity Income Fund	30.48%
Aberdeen Sterling Opportunistic Corporate Bond Fund	34.16%	Multi Manager UK Equity Focus Fund	20.24%
Aberdeen Sterling Bond Fund	81.93%	Investment Portfolio ICVC (xiii)	
Aberdeen Investment ICVC II (v)		IPS Income	20.87%
Aberdeen Global Corporate Bond Tracker Fund	99.35%	IPS Growth	23.54%
Aberdeen Investment ICVC III (v)		Balanced Solution	42.16%
Aberdeen Global Emerging Markets Quantitative Equity Fund	60.65%	Cautious Solution	31.92%
BNY Mellon Investments Funds ICVC (vi)		Discovery Solution	40.98%
Insight Global Multi-Strategy Fund	43.55%	Strategic Solution	53.29%
Insight Global Absolute Return Fund	74.89%	Dynamic Solution	55.16%
Newton Multi-Asset Growth Fund	26.09%	Defensive Solution	69.91%
Newton UK Opportunities Fund	53.51%	Adventurous Solution	75.95%
Newton UK Income Fund	26.66%	Pan European Urban Retail Fund (xiv)	22.00%
BNY Mellon US Opportunities Fund	36.79%	SSGA UK Equity Tracker Fund (xv)	96.88%
BNY Mellon Manages Funds II (vi)		SSGA Europe (Ex UK) (xv)	96.30%
Absolute Insight Fund	83.87%	SSGA Asia Pacific Tracker Fund (xv)	93.04%
MGI Funds PLC (vii)		SSGA North American Equity Fund (xv)	100.00%
Mercer Multi Asset Growth	66.83%	Blackrock Balanced Growth Portfolio Fund (xvi)	36.23%
Mercer Diversified Retirement Fund	72.23%	Blackrock UK Smaller Companies Fund (xvi)	20.93%
Mercer Multi Asset Defensive Fund	62.08%	Schroder Gilt And Fixed Interest Fund (xvii)	23.78%
Mercer Multi Asset High Growth Fund	81.10%	HLE Active Managed Portfolio Konservativ (xviii)	38.71%
Mercer Multi Asset Moderate Growth Fund	52.96%	HLE Active Managed Portfolio Dynamisch (xviii)	48.84%
MGI UK Equity Fund	34.38%	HLE Active Managed Portfolio Ausgewogen (xviii)	35.85%
Invesco Perpetual Far Eastern Investment Series (viii)		AgFe UK Real Estate Senior Debt Fund LP (xix)	77.96%
Invesco Perpetual Asian Equity Income Fund	22.57%	FAST UK Fund (xx)	31.69%
Invesco American Investment Series (viii)		JPM Systematic Alpha (xxi)	21.26%
Invesco US Equity Fund (UK)	20.58%	Lazard Developing Markets Fund (xxii)	88.59%
Russell Investment Company Plc (ix)		Nordea 1 GBP Diversified Return Fund (xxiii)	23.31%
Russell Euro Fixed Income Fund	31.61%	Schroder Emerging Market Bond Fund (xxiv)	58.95%
Russell Sterling Bond Fund	42.36%	Zurich Horizon Multi-Asset Fund V (xxv)	41.80%
Russell U.S Bond Fund	53.83%	Pemberton European Mid-Market Debt Fund II (xxvi)	100.00%
UBS Investment Funds ICVC (x)		Schroder Sterling Liquidity Fund (xxvii)	46.27%
UBS Global Optimal Fund	29.19%		
UBS UK Opportunities Fund	38.09%		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Investments in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held	Name Of Umbrella And Undertaking	% Held
Universe, The CMI Global Network (iii)		Japan Enhanced Equity	95.54%
CMIG GA 70 Flexible	100.00%	Pacific Enhanced Basin	80.21%
CMIG GA 80 Flexible	100.00%	Euro Bond	63.07%
CMIG GA 90 Flexible	100.00%	US Bond	94.65%
CMIG Focus Euro Bond	99.99%	US Currency Reserve	81.28%
European Enhanced Equity	100.00%	Euro Currency Reserve	98.74%
CMIG Access 80%	100.00%	Euro Cautious	86.27%
Continental Euro Equity	97.75%	US Tracker	30.77%
UK Equity	76.73%	US Enhanced Equity	90.28%

Principle Place of Business:

(i) Trinity Road, Halifax, West Yorkshire, HX1 2RG
(ii) 15 Dalkeith Road Edinburgh EH16 5WL
(iii) 106, Route D’arlon, L-8210 Mamer, Grand Duchy Of Luxembourg
(iv) 35a, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy Of Luxembourg
(v) 1 Bread Street, Bow Bells House, London EC4M 9HH
(vi) 160 Queen Victoria Street, London EC4V 4LA
(vii) 70 Sir John Rogerson's Quay, Dublin 2, Ireland
(viii) Perpetual Park, Perpetual Park Drive, Henley-On-Thames, Oxfordshire RG9 1HH
(ix) 78 Sir John Rogerson's Quay, Dublin 2, Ireland
(x) 21 Lombard Street, London, EC3V 9AH
(xi) 10, rue Edward Steichen, L-2540 Luxembourg, Grand-Duche de Luxembourg
(xii) Exchange Building, St. John’s Street, Chichester, West Sussex PO19 1UP
(xiii) 25 Gresham Street, London, EC2V 7HN
(xiv) Jackson House, 18 Saville Row, London, W1S 3PW
(xv) 20 Churchill Place, Canary Wharf, London E14 5HJ
(xvi) 12 Throgmorton Avenue, London EC2N 2DL
(xvii) 31 Gresham Street, London, EC2V 7QA
(xviii) 2, Boulevard Konrad Adenauer, L-1115 Luxemburg
(xix) 3rd Floor South, 55 Baker Street, London, W1U 8EW
(xx) 2a, Rue Albert Borschette, BP 2174, L-1021 Luxembourg
(xxi) S.à. r.l., 6, Route de Trèves, L-2633 Senningerberg, Luxembourg
(xxii) 50 Stratton Street, London W1J 8LL
(xxiii) 562, Rue de Neudorf, L-2220 Luxembourg
(xxiv) 5, Rue Höhenhof, L-1736, Senningerberg, Luxembourg
(xxv) The Grange, Bishops Cleeve, Cheltenham, GL52 8XX
(xxvi) 2 - 4, Rue Eugène Ruppert L-2453 Luxembourg
(xxvii) 10 Earlsfort Terrace, Dublin 2, Ireland D02 T380
(xxviii) 39/40 Upper Mount Street, Dublin 2, Ireland

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows include the following:

	2019 £000	2018 £000
Investment in a liquidity fund	80,292	149,697
Total	80,292	149,697

9. Current tax receivable

	2019 £000	2018 £000
Current tax receivable	17,953	28,163
Total	17,953	28,163

The current tax receivable relates to £17,953k (2018: £28,163k) in respect of group relief for corporation tax which is receivable from other companies within LBG.

10. Share capital and share premium

	2019 £000	2018 £000
Allotted, called up and fully paid share capital:		
100,000,000,000 (2018: 100,000,000,000) class A ordinary shares of 1p each	1,000,000	1,000,000
595,393,273 (2018: 595,393,273) class A preference shares of 1p each	5,954	5,954
7,939,393,959 (2018: 7,939,393,959) class B ordinary shares of 0.00001p each	1	1
Total	1,005,955	1,005,955
Share Premium		
Class A preference shares	589,439	589,439
Total	589,439	589,439

On 1 July 2011, as part of the legal entity restructuring project, the Company issued 54,168,285,771 Class B ordinary shares and 595,393,273 Class A preference shares. In May 2013 there was a reduction of class B Ordinary Shares held by HBOS plc to 7,939,393,959 shares.

The Class B ordinary shares are subject to a conversion feature such that in the event of breaching a specified regulatory capital solvency level, the holder of the shares is required to make a fixed cash payment to fully pay up the premium on the shares as noted above, and the shares will convert to a fixed number of Class A ordinary shares. The Class B ordinary shares, including their conversion feature, are classified as equity under IAS 32. If the original holder of the Class B ordinary shares fails to settle the amount due to fully pay up the share premium, another related party, LBG Capital Holdings Limited, will settle the obligation.

The Class A preference shares were issued at an issue price of £1.00 per share, at a premium of £0.99 on their nominal value of £0.01 per share, giving rise to a share premium of £589,439k. The shares carry floating rate, non-cumulative dividends which accrue at a rate of 7.75% plus 3 month LIBOR for every 12 month period from the date of issue, and which are payable at the discretion of the Company. The Class A preference shares are redeemable at the option of the Company for par plus any accrued dividends at scheduled dates.

For periods where no dividend is paid on the Class A preference shares, the Company is not permitted to pay dividends on ordinary shares. In the event of a sustained breach of a specified regulatory capital solvency level, the Class A preference shares will convert to a fixed number of Class A ordinary shares. The Class A preference shares, including their conversion feature, are classified as equity under IAS 32 and recognised at the value of proceeds received

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Equity Instruments

	2019 £000	2018 £000
Subordinated perpetual debt	305,000	305,000
Total	305,000	305,000

The subordinated perpetual debt instruments are perpetual and pay periodic interest payments at the discretion of the Company. Where an interest payment is not made it will accumulate and be payable if the Company chooses to redeem the securities or chooses to make the interest payment. No interest will accrue on a deferred interest amount.

12. Amounts due to Group undertakings

	2019 £000	2018 £000
Non-current liabilities		
Loans from Subsidiary undertakings	351,346	347,582
Current liabilities		
Accrued dividends	24,969	25,080
Accrued interest payable	2,296	2,270
Total	378,611	374,932

Loans from subsidiary undertakings includes £37,499 (2018: £33,733) of accrued interest in relation to those loans. Accrued interest payable of £2,296 (2018: £2,270) relates to interest due on subordinated debt.

13. Subordinated debt

The carrying value shown in the balance sheet is as follows:

	2019 £000	2018 £000
Dated subordinated debt	635,000	635,000
Undated subordinated debt - liability component[1]	524,000	524,000
Total	1,159,000	1,159,000

The Company issued £560,000k of 10 year dated subordinated debt to Lloyds Bank plc on 15 June 2015, with a callable option at 16 September 2020. The loan carries interest at the rate of 3 month LIBOR plus 3.15%, payable quarterly.

As part of the legal entity restructuring project on 1 July 2011, the Company issued £475,000k of dated subordinated debt comprising floating rate subordinated notes due 2041, with a maturity date of 30 years from the date of issue. The coupons are cumulative, at floating rate of 3 month LIBOR plus 5% and are deferrable at the option of the Company until maturity. In May 2013 £400,000k of dated subordinated debt with a maturity date of 2041 was repurchased by the Company. At the reporting date £75,000k was outstanding.

The dated subordinated debt is redeemable at par value plus accrued coupons at the option of the Company, subject to certain conditions, after 10 years from the date of issue at scheduled dates, and at other non-scheduled dates in the event of a change in law the effect of which is that the dated subordinated debt no longer qualifies for inclusion in the Group's regulatory capital on the same basis as it did prior to such change in the law.

If when the debt is to be redeemed the Group regulatory capital is in breach of a specified regulatory capital solvency level, the Company will be required to defer repayment of the principal amount of the dated subordinated debt until the Prudential Regulatory Authority (or any successor regulatory authority) approves payment. This extension feature is not closely related to the dated subordinated debt; however, the value of the feature is deemed to be negligible. The undated subordinated debt - liability component is the liability of a compound financial instrument.

[1]As part of the legal entity restructuring on 1 July 2011, the Company issued undated subordinated debt of £1,014,000k. On 17 December 2018, following approval from the PRA, the Company redeemed £490,000k of floating rate subordinated perpetual notes issued to Lloyds Bank plc. The remaining £524,000k of the subordinated securities are subject to repurchase by the Company in the event of the Solvency II Group headed by the Company breaching a specified regulatory capital solvency level. This repurchase feature meets the definition of a financial liability and as a result the subordinated debt that is subject to the repurchase feature is a compound instrument. The repurchase feature is recognised as a liability component and is shown in liabilities as subordinated debt. The subordinated liability component is measured at the value of the repurchase amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. Subordinated debt (continued)

The fair value of the subordinated debt is as follows:

	2019		2018	
	£000 *Carrying value*	£000 *Fair value*	£000 *Carrying value*	£000 *Fair value*
Dated subordinated debt	635,000	634,610	635,000	632,500
Undated subordinated debt - liability component	524,000	527,100	524,000	524,922
Total	1,159,000	1,161,710	1,159,000	1,157,422

The Fair value is classed as level 2 in the fair value hierarchy.

Subordinated debt fair value is calculated as a discounted cash flow of future coupons and maturity cash flows. Each tranche is assumed to be redeemed at maturity or the earliest step up date if applicable. Currently the debt is sterling based so the yield curve is that used for discounting other IFRS & Solvency II liabilities, based on swaps less 10bps for a credit default allowance. A credit spread is then added to the risk free curve based on the credit rating and spreads at issue date for each debt tranche.

Inputs used in the fair value measurement include; nominal value, coupon rate, coupon frequency, coupon fixed or floating, maturity date, set up date, implied credit margin, yield curve to provide the discount rate and Libor rates to determine floating coupon payments.

14. Net increase / (decrease) in operating assets and liabilities

	2019 £000	2018 £000
Decrease in operating assets:		
Financial assets:		
Loans and receivables	-	-
Decrease in operating assets	-	-
Decrease in operating liabilities:		
Amounts due to Group undertakings	3,679	(7,059)
Increase / (decrease) in operating liabilities	3,679	(7,059)
Net increase / (decrease) in operating assets and liabilities	3,679	(7,059)

15. Dividends

	2019 £000	2018 £000
Dividends on class A ordinary shares	450,000	1,200,000
Dividends on class B ordinary shares	15,720	15,720
Dividends on class A preference shares	51,037	50,198
Dividends on undated subordinated debt	53,434	81,191
Total	570,191	1,347,109

Dividends recognised in the Statement of Changes in Equity include £24,969k accrued dividends as at 31 December 2019 (2018: £25,080k).

The dividends paid in 2019 amounted to a total of 0.45 pence per class A ordinary share, 0.1980 pence per class B ordinary share and 8.582 pence per class A preference share (2018: 1.20 pence per class A ordinary share, 0.1980 pence per class B ordinary share and 8.4311 pence per class A preference).

An interim dividend of £435,000k in respect of the year ending 31 December 2020 was declared on 6 February 2020 and paid to LBG on 12 February 2020.

Dividends on undated subordinated debt are in relation to the undated subordinated debt as detailed in notes 11 and 13.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management

The Company acts as a holding company. This note summarises the risks associated with the activities of the Company and the way in which the Company manages them.

(a) Governance framework

The Company is part of LBG, which has established a risk management function with responsibility for implementing the LBG risk management framework (with appropriate Insurance focus) within the Group.

This enterprise-wide risk management framework for the identification, assessment, measurement and management of risk covers the full spectrum of risks that the Company are exposed to, with risks categorised according to an approved LBG risk language. This covers the principal risks faced by the Company, including the exposures to market, insurance underwriting, model risk, credit, capital, liquidity, regulatory & legal, conduct, people, governance and operational risks. The performance of the Company, its continuing ability to write business and the strategic management of the business depend on its ability to manage these risks.

Responsibility for setting and managing risk appetite and risk policy resides with the Board. Risks are managed in line with LBG and Insurance risk policies. The Board has delegated certain risk matters to the Insurance Risk Oversight Committee ("ROC") with operational implementation assigned to the Insurance and Wealth Risk Committee ("IWRC").

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

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

(b) Risk appetite

Risk appetite is the amount and type of risk that the Board prefers, accepts or wishes to avoid and is aligned to the LBG strategy. The Insurance Board has defined a framework for the management of risk and approved a set of risk appetite statements that cover financial risks (capital, insurance underwriting, credit, market and liquidity), operational risks, people, conduct risks, regulatory & legal risks, model risk and governance risks. The risk appetite statements set limits for exposures to the key risks faced by the business. Risk appetite is reviewed at least annually by the Insurance Board. Executive owned Tier 2 and Tier 3 limits sit beneath Board owned risk appetite (Tier 1) and are managed and governed within the Insurance business.

Experience against Risk Appetite is reported (by exception) to each meeting of IWRC and ROC. Copies are also supplied regularly to the Company's regulators as part of the close and continuous relationship. Reporting focuses on ensuring, and demonstrating to the Board, and their delegate ROC that the Company is run in line with approved risk appetite. Any breaches of risk appetite require clear plans and timescales for resolution.

(c) Financial risks

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of financial risk are credit, liquidity and market risk.

The Company manages these risks in a numbers of ways, including risk appetite assessment and monitoring of capital resource requirements.

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of significant accounting policies (note 1) describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The sensitivity analyses given throughout this note are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated, for example changes in interest rates and changes in market values. The sensitivity analysis presented also represents management's assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(c) Financial risks (continued)

(c)(i) Liquidity risk

Liquidity risk is defined as the risk that the Company has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost.

Liquidity risk has been analysed as arising from the settlement of intercompany balances. Liquidity risk is managed in line with the LBG Funding and Liquidity Risk Policy.

In order to measure liquidity risk exposure the Company's liquidity is assessed in a stress scenario. Liquidity risk is actively managed and monitored to ensure that, even under stress conditions, the Company has sufficient liquidity to meet its obligations and remains within approved risk appetite. The Company holds primary liquid assets in the form of cash.

The following table analyses the Company's contractual maturity for financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company is obliged to pay. The table includes both interest and principal cash flows.

As at 31 December 2019

Liabilities	Carrying amount	Contractual cash flows (undiscounted)					
		No stated maturity	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000
Dated subordinated debt	635,000	-	-	5,525	19,835	105,785	635,000
Undated subordinated debt – liability component	524,000	524,000	-	-	-	-	-
Amounts owed to Group undertakings - non current	351,346	-	-	4,169	12,506	394,425	-
Amounts owed to Group undertakings - current	27,265	-	27,265	-	-	-	-
Total	1,537,611	524,000	27,265	9,694	32,341	500,210	635,000

As at 31 December 2018

Liabilities	Carrying amount	Contractual cash flows (undiscounted)					
		No stated maturity	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000	£000
Dated subordinated debt	635,000	-	-	5,684	20,376	108,672	635,000
Undated subordinated debt – liability component	524,000	524,000	-	-	-	-	-
Amounts owed to Group undertakings - non current	347,582	-	-	3,850	11,550	378,467	30,712
Amounts owed to Group undertakings - current	27,350	-	27,350	-	-	-	-
Total	1,533,932	524,000	27,350	9,534	31,926	487,139	665,712

Interest of £42,035k (2018: £41,460k) per annum which is payable in respect of dated subordinated debt and non-current amounts owed to group undertakings for as long as they remain in issue is not included beyond five years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(c) Financial risks (continued)

(c)(ii) Credit risk

Credit risk is the risk that parties with whom the Company has contracted fail to meet their obligations (both on and off balance sheet). Credit risk is managed in line with the Insurance Credit Risk Policy and the wider LBG Credit Risk Policy.

At the year end, the Company held financial assets of £80,292k (2018: £149,697k) which were in investments in a liquidity fund with a credit risk rating of AAA (2018: AAA) using Standard & Poor's rating or equivalent. These assets are classified as Level 1 within the fair value hierarchy (2018: Level 1).

Credit risk in respect of above balances is not considered to be significant. There were no past due or impaired assets at 31 December 2019 or 31 December 2018. No terms in respect of financial assets had been renegotiated at 31 December 2019 or 31 December 2018.

(c)(iii) Capital risk

Capital risk is defined as the risk that the Company has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across the Company. The risk that:

- the Company, or one of its separately regulated subsidiaries, has insufficient capital to meet its regulatory capital requirements;
- the Company has insufficient capital to provide a stable resource to absorb all losses up to a confidence level defined in the risk appetite;
- the Company loses reputational status by having capital that is regarded as inappropriate, either in quantity, type or distribution; and/or
- the capital structure is inefficient.

The business of several of the Company's subsidiaries is regulated by the PRA and the Financial Conduct Authority ("FCA"). The PRA rules, which incorporate all Solvency II requirements, specify the minimum amount of capital that must be held by the regulated companies within the Company in addition to their insurance liabilities. Under the Solvency II rules, each insurance company within the Company must hold assets in excess of this minimum amount, which is derived from an economic capital assessment undertaken by each regulated company and the quality of capital held must also satisfy Solvency II tiering rules. The Company prepares a group level Solvency Financial Condition Report ("SFCR") which consolidates the capital requirements of all of the Company's subsidiaries, including the insurance companies. This is reviewed on a quarterly basis by the PRA.

The Solvency II minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met.

The Company's objectives when managing capital are:

- to have sufficient capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- to comply with the insurance capital requirements set out by the PRA in the UK; and
- when capital is needed, to require an adequate return to the shareholder

The capital management strategy is such that the integrated insurance business (comprising the Company and its subsidiaries, including the Group) will hold capital in line with the stated risk appetite for the business, which is to be able to withstand a one in ten year stress event without breaching the capital requirements. At the Company consolidated level it is intended that all surplus capital above that required to absorb a one in ten year stress event will be distributed to Lloyds Banking Group plc.

The Company's capital comprises all components of equity, movements in which are set out in the statement of changes in equity and includes subordinated debt (note 13).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(c)(iv) Market risk

Market risk is defined as the risk that our capital or earnings profile is affected by adverse market rates, in particular equity and credit spreads in Insurance business.

The main investments of the Company are the holding of subsidiary companies, which are set out in Note 7 and the risks associated with investments in subsidiaries are covered further in paragraph (c)(vi) below. Holdings of individual assets are essentially interest bearing, and are covered further in paragraph (c)(v) below.

Investments in liquidity fund are categorised as level 1 in the fair value hierarchy.

(c)(v) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve.

Interest rate risk arises in respect of investments in a liquidity fund, dividends on undated preference shares, interest on the intercompany loans and coupons on dated subordinated debt which are described in note 13. None of the other financial assets or financial liabilities of the Company are interest-bearing.

If interest rates were to increase or decrease by 100 basis points, the impact on profit and loss after tax would be a decrease or increase respectively of £9,863k (2018: decrease or increase respectively of £9,519k) in respect of interest-bearing financial assets and financial liabilities. As a result, the level of distributable reserves and future dividend payments of the Company will be impacted. The Company is not exposed to equity, property or foreign exchange risk through its financial assets and financial liabilities.

(c)(vi) Risk associated with investment in subsidiaries

The Company owns various subsidiary undertakings, the carrying values of which are assessed for reasonableness at least once in each financial year. Any impairment in the value of these investments could result in a significant financial exposure of the Company, although the impairment would have to be significant itself for this risk to crystallise. The underlying activity in the subsidiary undertakings is regularly monitored and any implications on the financial position of the Company assessed. All subsidiaries of the Company are managed in accordance with LBG risk policies to mitigate against any unforeseen circumstances.

(d) Non-financial risks

The Company faces a variety of non-financial risks through its operations and service provision. The Company manages these risks by following the embedded Risk Management Framework, which uses methodologies and systems consistent with those implemented across the Group. The various stages of the framework are:

Identification

- Risks identified in products, processes, channels, customers and people
- Emerging risks
- Changes to the risk profile through ongoing tracking, pricing reviews and monitoring of external factors
- Change Management at project, programme or portfolio level
- Implement Risk and Control Framework and standards, including loss estimation and provisioning

Measurement

- Evaluate risk exposure vs appetite
- Modelling and stress testing, including Internal Model outputs
- Actual vs expected losses
- Scenario analysis
- Reverse stress testing

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(d) Non-financial risks (continued)

Management

- Identify and operate controls
- Perform day-to-day control activities
- Ensure appropriate segregation of duties
- Control assessment and estimation of residual risk
- Controls testing activities including Sarbanes-Oxley and Own Risk and Solvency Assessment (ORSA) review
- Effectiveness reviews

Monitoring

- Performance vs risk appetite
- Internal Model performance monitoring
- Risk metrics on for example products, processes, customer experience, service, retention
- Change portfolio
- Regulatory and external environment
- Quality checking
- Action management

Reporting

- Monthly Executive Risk Reporting presented through the corporate governance structure leads to top down review and challenge evidenced via the Insurance Consolidated Risk Report
- Material Events escalation, including related actions
- ORSA reporting

The primary non-financial risk categories are:

Conduct risk
Conduct risk is defined as the risk of customer detriment across the customer lifecycle including: failures in product management, distribution and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss.

Governance risk
Governance risk is defined as the risk that the Company's organisational infrastructure fails to provide robust oversight of decision making and the control mechanisms to ensure strategies and management instructions are implemented effectively.

Model risk
The risk of financial loss, regulatory censure, reputational damage or customer detriment, as a result of deficiencies in the development, application and ongoing operation of Models and Ratings systems.

Operational risk
Operational risk is defined as the risk of loss from inadequate or failed internal processes, people and systems or from external events. As operational risk covers such a range of elements, there are secondary risk types within this area, including:

Change risk
Change risk is defined as the risk that, in delivering its change agenda, the Company fails to ensure compliance with laws and regulation, maintain effective customer service and availability, and/or operate within the Company's risk appetite.

Cyber and information security
The risk of financial loss, disruption or damage to the reputation of Lloyds banking Group from a malicious attack that impacts the confidentiality and/or integrity of electronic data or the availability of systems. The risk also to the security of information and data.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(d) Non-financial risks (continued)

Operational risk (continued)

Data management
The risk that the Company fails to effectively govern, manage and protect its data (or the data shared with Third Party Suppliers) impacting the Group's agility, accuracy, access and availability of data, ultimately leading to poor customer outcomes, loss of value to the Company and mistrust from regulators.

External service provision
Failure in the provision of the formally agreed services (i.e. within the scope for the Group Service Provision Policy / supporting Procedures) which are required so Business Units meet their agreed deliverables.

Financial crime
Financial crime is the risk of acts intended to bribe, corrupt, launder money, fund terrorist activity or circumvent sanctions intended for personal gain or to cause loss to another party, by customers/clients, suppliers, third parties or colleagues.

Financial reporting risk
Financial reporting risk is defined as the risk that the Company suffers reputational damage, loss of investor confidence and/or financial loss arising from the adoption of inappropriate accounting policies, ineffective controls over business or finance processes impacting financial, prudential regulatory, and tax reporting, failure to manage the associated risks of changes in taxation rates, law, corporate ownership or structure and the failure to disclose timely and appropriate information in accordance with regulatory requirements.

Fraud
The risk of acts of deception or omission intended for personal gain or to cause loss to another party, by customers/clients, third parties or colleagues.

Internal service provision
The risk associated with the management of internal service arrangements.

IT systems
The risk of failure in technology governance and the development, delivery and maintenance of effective IT solutions.

Operational resilience risk
Operational resilience risk covers the risk that the Company fails to design resilience into business operations, underlying infrastructure and controls (people, process, technical) so that it is able to withstand external or internal events which could impact the continuation of operations, and fails to respond in a way which meets stakeholder expectations and needs when the continuity of operations is compromised.

Physical security risk
The risk to the security of people and property (including damage (malicious or non-malicious) to LBG branches and buildings managed through Group Property).

Sourcing
Sourcing risk covers the risk associated with the activity related to the agreement and management of services provided by third parties including outsourcing (excludes internal service arrangements).

People risk
People risk is defined as the risk that the Company fails to provide an appropriate colleague and customer centric culture, supported by robust regard and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and robust control to ensure all colleague-related requirements are met.

Regulatory and legal risk
The risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Risk management (continued)

(e) UK political uncertainties including EU exit

Following the UK's exit from the EU, significant negotiation is now required on the terms of the future trade agreement. As a result, the possibility of a limited or no deal at the end of the transition period remains and could manifest in prolonged business uncertainty across the UK, including the financial services sector. The continued lack of clarity over the UK's eventual relationship with the EU and other foreign countries, and ongoing challenges in the Eurozone, including weak growth raises additional uncertainty for the UK economic outlook. The Company's response to these risks and uncertainty is as follows:

- Internal contingency plans recalibrated and regularly reviewed for potential strategic, operational and reputational impacts.
- As part of LBG, engagement with politicians, officials, media, trade and other bodies to reassure our commitment to Helping Britain prosper.
- Committed investments for our entity in the EU to ensure continuity of certain business activities, and contingency planning in relation to wider areas of impact.
- No deal EU exit outcome analysed to identify impacts and assess robustness of contingency plans.

(f) Economic risk

UK economic growth remains muted and the lack of clarity around an EU trade deal is likely to keep investment subdued. High levels of credit market liquidity have reduced spreads and weakened terms in some sectors, creating a potential under-pricing of risk and heightened risk of a market correction. The Company's response to these risks is as follows:

- Internal contingency plans recalibrated and regularly reviewed for potential strategic, operational and reputational impacts, with a plan specifically for working through the potential impacts of the EU exit on the Company.
- Wide array of risks considered in setting strategic plans.
- Capital and liquidity is reviewed regularly through committees, ensuring compliance with risk appetite and regulatory requirements.
- The Company has a robust through the cycle credit risk appetite, including individual limit guidelines, specific sector appetite statements and policies, and affordability and indebtedness controls at origination. In addition to ongoing focused monitoring, we conduct portfolio deep dives and larger exposure reviews. We have enhanced our use of early warning indicators including sector specific indicators.

Additionally, the more recent coronavirus outbreak and related global health issues are already starting to impact economies and markets. Whilst the ultimate impact is currently unknown, we are exploring the credit risk impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. Related party transactions

(a) Ultimate parent and shareholding

The ultimate and immediate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group plc's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

(b) Transactions between the Company and other companies in the Lloyds Banking Group

The Company has entered into transactions with related parties in the normal course of business during the year. Loans to related parties are made on normal arm's length commercial terms.

	2019			
	Income during year £000	**Expenses during year £000**	**Payable at year end £000**	**Receivable at year end £000**
Relationship				
Parent	-	563,691	653,997	-
Subsidiary	510,000	15,174	351,346	-
Other related parties	-	33,127	532,353	-

	2018			
	Income during year £000	**Expenses during year £000**	**Payable at year end £000**	**Receivable at year end £000**
Relationship				
Parent	-	1,200,000	-	-
Subsidiary	1,930,000	-	347,582	-
Other related parties	-	147,109	1,186,350	-

The above balances are unsecured in nature and are expected to be settled in cash.

Parent undertaking transactions relate to dividends paid to the Company's immediate parent. Transactions with other related parties (which including Subsidiary, Associates, Joint Ventures and Other categories above) are primarily in relation to financing (through capital and sub-ordinated debt), loan funding and receipt of dividends.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

17. Related party transactions (continued)

(c) Transactions between the Company and entity employing key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and Insurance Executive Committee ("IEC") members. Key management personnel, as defined by IAS 24, are employed by a management entity, transactions with this entity are as follows:

	2019 £000	2018 £000
Salaries and other short-term benefits	8,768	9,394
Post-employment benefits	19	52
Share-based payments	1,906	2,438
Total	10,693	11,884

Included in short term employee benefits is the aggregate amount of emoluments paid to or receivable by Directors in respect of qualifying services of £4,020k (2018: £3,968k).

There were no retirement benefits accrued to Directors (2018: no Directors) under defined benefit pension schemes. Three Directors (2018: six Directors) are paying into a defined contribution scheme. There was £0.1k (2018: £nil) of contributions paid to a pension scheme for qualifying services.

Certain members of key management in the Group, including the highest paid Director, provide services to other companies within LBG. In such cases, for the purposes of this note, figures have been included based on an apportionment to the Group of the total compensation earned.

The aggregate amount of money receivable and the net value of assets received/receivable under share based incentive schemes in respect of Directors qualifying services was £916k (2018: £1,108k). During the year, two Directors exercised share options (2018: one Director) and three Directors received qualifying services shares under long term incentive schemes (2018: two Directors). Movements in share options are as follows:

	2019 No. 000's	2018 No. 000's
Outstanding at 1 January	18,661	16,722
Granted	10,243	7,922
Vested	(5,733)	(4,222)
Forfeited	(5,241)	(1,919)
Dividend awarded	281	158
Outstanding at 31 December	18,211	18,661

Detail regarding the highest paid Director is as follows:

	2019 £000	2018 £000
Apportioned aggregate emoluments	2,190	2,142
Apportioned share based payments	674	846

The highest paid Director did not exercise share options during the year. (2018: The highest paid Director did exercise share options during the year).

18. Contingent liability

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013, HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the Company of approximately £5,909k (including interest) (2018: £5,755k). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Future accounting developments

There are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company when adopted.

20. Post Balance Sheet Event

An interim dividend of £435,000k in respect of the year ending 31 December 2020 was declared on 6 February 2020 and paid to LBG on 12 February 2020.

Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world including the UK. In view of its currently evolving nature, the Directors are unable to estimate its financial effect.