Suzuki Financial Services Limited

Report and Accounts

2019

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2019

The directors present their Strategic report and the audited financial statements of Suzuki Financial Services Limited (the "Company") for the year ended 31 December 2019.

Business overview

The Company's result for the year shows a Profit before tax of £17,699,000 (2018: £18,669,000) and Net interest income of £27,746,000 (2018: £26,995,000).

New business written in 2019 had a value of £272,914,000 (2018: £281,217,000) and was 5% above budget. The financing of new car sales, which make up 78% of the total business written, was 7% ahead of budget for the year. Used car sales, which make up 18% of the new business written, were 5% ahead of budget, and motorbike sales, which make up the remaining 4% of the new business written, were down 25% against budget for the year.

Future outlook

The Company has achieved a satisfactory level of returns and expects to continue to do so in the foreseeable future when the motor market reopens. The directors are supporting a strategy designed to ensure that the Company's interest and other charges fully reflect the risks associated with its core products. The rapid pace and scale of measures to contain a major health issue such as the Covid-19 pandemic demonstrate the potentially adverse impact of those measures on the economy. The government and regulators are taking significant action to address the economic impact, which may be temporary, but depending on the severity it could lead to a significant loss of output and recession in the UK. Any sector-specific or wider impact due to this could potentially impact the retail customers of the Group and as a result have a material adverse effect on the Company's results of operations, financial condition or prospects.

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 in the financial services sector. This continued lack of clarity over the UK's relationship with the EU and other foreign countries, and on-going challenges in the Eurozone, including weak growth, raise additional uncertainty for the UK's economic outlook. There also remains the possibility of a further referendum on Scottish independence. The Company is part of the wider Lloyds Banking Group ("the Group"), and, it is at that level that consideration of the many potential implications this may have has been undertaken. Work continues to assess the impact of EU exit at the level of the Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Post balance sheet events

In March 2020 the World Health Organisation declared the outbreak of Covid-19 a global pandemic. The outbreak and the action taken by government's across the world are causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event given the limited number of cases reported as at 31 December 2019. In view of its currently evolving nature, the Directors continue to monitor the developments closely. Based upon an initial assessment of the likely impact of the pervasive disruption experienced in the UK, the directors assessed an additional credit impairment of £3,573,000 in June 2020. In addition, the disruption to the economy and the used car market is expected to impact both customer behaviour and used car prices in the near future and the Company's market impairment provision was increased by £1,282,000 in June 2020 based upon an assessment of the impact on the future volume and value of vehicles returned to the Company by lessees either early or at the end of the lease.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Division, which is part of the Group. While these risks are not managed separately for the Company, the Company is a main trading company of the Motor Finance business as part of the LBG Retail Division within the Group. The Motor Finance business is a portfolio of businesses and operates in a number of specialist markets providing consumer lending and contract hire to personal and corporate customers. Further details of the Company's and Group's risk management policy are contained in note 20 to the financial statements.

As a result of the global health issues, the potential for operational risks materialising increases, notably in the areas of cyber, fraud, people, technology, operational resilience and where there is reliance on third-party suppliers. In addition to the key operational risks, new risks are likely to arise as the business will need to change its ways of working whilst managing any site contamination to ensure continuity and support to colleagues and customers.

Key performance indicators ("KPIs")

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

Strategic report (continued)

For the year ended 31 December 2019

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act'), for the year ended 31 December 2019, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of Engagement with Employees and Other Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the directors have engaged with, and had regard to, the interest of key stakeholders and employees. The Company is controlled by Black Horse Group Limited, a wholly owned subsidiary of Lloyds Banking Group plc ("LBG"). As such, the Company follows many of the processes and practices of the Group whilst being mindful of the requirements of Suzuki GB plc which holds 49% of the Company's issued share capital.

Customers

The directors ensure the Company, as part of the Group, works toward achieving LBG's customer ambitions and is focussed on treating customers fairly. The Company is one of a number of companies within the Retail Division of the Group providing customers with motor vehicle finance and the directors work with colleagues within the division to understand areas where improvements to customer experience can be made. The Company is an active participant in the broader Motor Finance initiatives. With a dedicated transformation team in the Motor Finance business, the Company is continuing to enhance the customer journey and services for customers, with key initiatives being new digital services which now enable customers to review and sign finance agreements anywhere at anytime using the new SignAnywhere application. In addition, the Company has continued to improve the showroom systems Finance Online and experience for customers with enhanced features such as quick quote and phone number validations. The Company is also focussed on enhancing retention capabilities to support Suzuki franchise dealers and customers as well as improving the experience and options when it comes to l

Employees

As part of LBG, the Company's approach to employee matters and employee engagement is aligned to that of the Group, where colleagues take pride in working for an inclusive and diverse organisation which continues to work towards building a culture in which everyone feels included, empowered and inspired to do the right thing for customers. In 2019, the LBG Board agreed how LBG, including the Company, would engage the workforce. The definition of 'workforce', as agreed by the LBG Board is permanent employees, contingent workers and third-party suppliers that work on LBG premises delivering services to customers and supporting key business operations.

Shareholders

The Company is jointly owned by Black Horse Group Limited, a wholly owned subsidiary of Lloyds Banking Group plc, and Suzuki GB plc. The Company and both shareholders are party to a shareholders' agreement which sets out the overall objectives of the arrangement and the respective obligations of each of the parties in terms of meeting those objectives. The directors ensure that the strategy, priorities, processes and practices of the Company are aligned to the requirements of the shareholders' agreement and, where required, to those of LBG as the Company's controlling shareholder. 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, which does not form part of this report, available on the LBG website.

Communities and the Environment

Whilst the Company has limited physical presence, the financing of motor vehicles impacts on both the community and the environment. The Company continues to explore ways to contribute to the LBG target of reducing carbon emissions financed by the Group by 50% by 2030. In addition, the Company continues to support LBG's initiatives, including Helping Britain Prosper by actively managing its current loan book.

Regulators

The Company is regulated by the FCA as part of its regulation of the broader activity of the Group. As set out within the customer section above, a key focus for the Company is treating customers fairly. The approach of the Group, including that of the Company, to managing regulatory change is detailed on page 11 of the LBG Annual Report and Accounts for 2019, which does not form part of this report, available on the LBG website.

How stakeholder interest has influenced decision making

The directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to the shareholders' agreement, is to effectively manage its customer base to generate 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.

During 2019, a number of changes to the Company's board of directors were made in order to ensure that the Company benefits from the wider backgrounds and sector experience that exist in the Group and to increase financial control and facilitate transparent reporting. As an example, J McCaffrey, who was appointed during the year, leads the Motor Finance transformation team.

Strategic report (continued)

For the year ended 31 December 2019

Section 172(1) Statement (continued)

Emerging Risks

The key emerging risks for the Company relate to the UK's exit from the EU and the outbreak of Covid-19 as discussed above. In addition, widely used benchmark rates such as the London Interbank Offered Rate (LIBOR) have been subject to increasing regulatory scrutiny, with regulators signalling the need to use alternative benchmark rates. As a result, existing benchmark rates may be discontinued or the basis on which they are calculated may change. The Company currently has LIBOR linked loans. The alternative method will change the way that the loans are priced but any changes are not thought to be material.

General

The directors do not consider there to be any further material issues which need to be included in the Strategic report.

Approved by the board of directors and signed on its behalf by:

R A Jones
Director

8 September 2020

Directors' report

For the year ended 31 December 2019

The directors present their report for the year ended 31 December 2019.

General information

The Company is a private limited company incorporated in the United Kingdom, registered in England and Wales and is domiciled in England and Wales (registered number: 03015566). The directors in office during 2019 are listed further in this report and the Company Secretary is D D Hennessey.

The Company provides a range of finance lease and hire purchase products and personal loans, generally in connection with the financing of Suzuki motor cars.

The Company is funded entirely by other companies within the Group.

Dividends

A dividend of £21,707,000, representing a dividend of £2,170.70 per share, was declared and paid during the year (2018: £10,900,000).

Going concern

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

Directors

The current directors of the Company are as follows:

J Fernandez	
J Fulker	(appointed 9 December 2019)
D F Houston	
R A Jones	
J McCaffrey	(appointed 9 December 2019)
I S Perez	(appointed 9 December 2019)
N Suyama	
D Wyatt	

The following are other changes to directors that have taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

N Thabet	(resigned 9 July 2019)
C M Adams	(resigned 22 November 2019)
J Cadden	(appointed 19 July 2019, resigned 22 November 2019)
R J H Milne	(resigned 22 November 2019)

Registered address

The Company's registered address is St William House, Tresillian Terrace, Cardiff, CF10 5BH.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Future outlook and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 2.

Statement of Engagement with Employees and Other Stakeholders

A statement of Engagement with Employees and other Stakeholders is included in the Strategic report page 2.

Directors' indemnities

LBG has granted to Messrs R A Jones, I S Perez, J McCaffrey, and J Fulker, the directors of the Company appointed by and representing the Group, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year and at the date of approval of the financial statements. Those Group directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the Group directors to the maximum extent permitted by law. The deed for current Group directors is available for inspection at the registered office of the Group. In addition, the Group has in place appropriate Group directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2019

Directors' indemnities (continued)

Suzuki GB PLC has in place appropriate Directors and Officers Liability and Company Reimbursement Liability Insurance. This has been in place since 7 November 2018 and is in place at the date of approval of the financial statements. Mrs J Fernandez, Mr D F Houston, Mr N Suyama and Mr D Wyatt have had the benefit of this cover since 7 November 2018.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor and disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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.

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

Approved by the board of directors and signed on its behalf by:

R A Jones
Director

8 September 2020

Statement of comprehensive income

For the year ended 31 December 2019

	Note	**2019** **£'000**	2018 £'000
Interest income		**37,697**	35,076
Interest expense		**(9,951)**	(8,081)
Net interest income	3	**27,746**	26,995
Fee and commission income	4	**457**	527
Payment protection insurance charge		**(1,536)**	(577)
Credit impairment losses	5	**(423)**	(812)
Market impairment losses	6	**(1,594)**	(461)
Other operating expenses	7	**(6,981)**	(7,003)
Profit before tax		**17,669**	18,669
Taxation	10	**(3,396)**	(3,561)
Profit for the year being total comprehensive income		**14,273**	15,108
Attributable to:			
Owners of the parent		**7,279**	7,705
Non-controlling interest		**6,994**	7,403
Profit for the year being total comprehensive income		**14,273**	15,108

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

Balance sheet

As at 31 December 2019

	Note	**2019**	2018
		£'000	£'000
ASSETS			
Trade and other receivables	12	**3,830**	4,813
Loans and advances to customers	13	**554,408**	541,809
Deferred tax asset	14	**274**	313
Total assets		**558,512**	546,935
LIABILITIES			
Borrowed funds	15	**528,255**	508,773
Trade and other payables	16	**398**	719
Provision for liabilities and charges	17	**1,583**	1,568
Current tax liability		**3,357**	3,522
Total liabilities		**533,593**	514,582
EQUITY			
Share capital	18	**10**	10
Retained earnings		**24,909**	32,343
Total equity		**24,919**	32,353
Total equity and liabilities		**558,512**	546,935

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

The financial statements were approved by the board of directors and were signed on its behalf by:

R A Jones
Director

8 September 2020

Statement of changes in equity

For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	10	28,135	28,145
Profit and total comprehensive income for the year attributable to:			
- Owners of the parent	-	7,705	7,705
- Non-controlling interest	-	7,403	7,403
Dividend paid to equity holders of the Company	-	(10,900)	(10,900)
At 31 December 2018	**10**	**32,343**	**32,353**
Profit and total comprehensive income for the year attributable to:			
- Owners of the parent	-	7,279	7,279
- Non-controlling interest	-	6,994	6,994
Dividend paid to equity holders of the Company	-	(21,707)	(21,707)
At 31 December 2019	**10**	**24,909**	**24,919**

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

Cash flow statement

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows generated from/(used in) operating activities		
Profit before tax	**17,669**	18,669
Adjustments for:		
- Interest expense	**9,951**	8,081
- Increase in Provision for liabilities and charges	**15**	1,193
- Decrease in Provision for liabilities and charges - adjustment on adoption of IFRS 9	**-**	(61)
Changes in operating assets and liabilities:		
- Net increase in Loans and advances to customers	**(12,599)**	(54,861)
- Net increase in Loans and advances to customers - adjustment on adoption of IFRS 9	**-**	(1,930)
- Net decrease/(increase) in Other debtors and Other assets	**525**	(2,607)
- Net (decrease)/increase in Trade and other payables	**(321)**	159
Cash generated from/(used in) operations	**15,240**	(31,357)
Taxation paid	**(3,522)**	(3,410)
Net cash generated from/(used in) operating activities	**11,718**	(34,767)
Cash flows (used in)/generated from financing activities		
Dividends paid	**(21,707)**	(10,900)
Proceeds from net borrowings with group undertakings	**19,940**	53,748
Interest paid	**(9,951)**	(8,081)
Net cash (used in)/generated from financing activities	**(11,718)**	34,767
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

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

Notes to the financial statements

For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

The Company adopted IFRS 16 Leases from 1 January 2019. IFRS 16 replaces IAS 17 Leases and addresses the classification and measurement of all leases. The Company's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17; however for lessee accounting there is no longer a distinction between finance and operating leases. For all assets the lessee recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis.

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective for the year ended 31 December 2019 and which have not been applied in preparing these financial statements are given in note 24. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Fees and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided.

1. Accounting policies (continued)

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Loans and advances to customers, Other debtors and Other assets. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables.

On initial recognition, financial assets are classified as measured at amortised cost.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

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.

1.4 Impairment of financial assets

i) *Credit losses*

The credit impairment charge in the Statement of comprehensive income includes the change in expected credit losses and certain fraud costs. Expected credit losses ("ECL") are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, 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 and including the impact of discounting using the effective interest rate.

A loan or advance 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 credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Impairment of loans and advances

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 (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). 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 together with qualitative indicators such as watch lists 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 origination, the asset is transferred back to Stage 1.

Impairment of retail loans and advances

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2).

1. Accounting policies (continued)

1.4 Impairment (continued)

Impairment of retail loans and advances (continued)

The probability of default ("PD") of an exposure, both over a 12 month period or over its lifetime is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The Company has adopted the following definition of default for all its retail products:

• factors indicating an unwillingness to pay, such as bankruptcy or other financial hardship support, e.g. individual voluntary arrangements; or
• a payment is past due by 90 days;

IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due, which the Company has adopted.

Impairment of non-retail loans and advances

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

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2). Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

Impairment of other financial assets

Under IFRS 9 at initial recognition, allowance is made for expected 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 since origination, allowance (or provision) is made for expected losses resulting from all possible default events over the expected life of the asset.

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

ii) *Market losses*

Included within Loans and advances to customers are certain hire purchase contracts referred to as Personal Contract Purchase ("PCP") agreements. Under the terms of these agreements, customers have the option to either purchase the leased vehicle at the end of the lease term for a pre-agreed sum (the "pre-agreed residual value") or to return the vehicle for sale by the Company at auction. As a result the Company is exposed to market risk arising from changes in the residual value of the vehicles financed under the terms of PCP arrangements.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from recovery and sale of collateral, less any costs incurred.

1.5 Dividends paid

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

1.6 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1. Accounting policies (continued)

1.7 Taxation, including deferred income 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 income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

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

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

1.8 Retirement benefit obligations

Defined contribution

A defined contribution plan is a pension plan under which the Company pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The Company receives recharges in respect of a defined contribution plan operated by the Group based on the level of contributions paid in relation to staff providing services to this Company. These are charged to the Statement of comprehensive income in the period in which they fall due.

Defined benefit

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. All active members of the Group's defined benefit pension plans are employed by other companies in the Group. Accordingly, the risk associated with the operation of the plans lies with other companies. The Company is recharged by a fellow group undertaking an amount equal to the cash contributions made in respect of the relevant employees included in note 8.

1.9 Share based payments

The Company receives recharges in respect of a number of share based compensation plans operated by the Company's ultimate parent company based on the fair value of the number of equity based instruments that are expected to vest in respect of services of the relevant employees included in note 8. Full details of these schemes can be found in the 2019 Annual Report and the Financial Statements of the Group.

1.10 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The following are the critical accounting estimates and accounting judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Payment Protection Insurance

At 31 December 2019 the Company has provided £1,502,000 (2018: £1,255,000) against the cost of making redress payments to customers and the related administration costs in relation to the mis-selling of Payment Protection Insurance (PPI). Of the total provision, £292,000 is indemnified by Black Horse Limited (2018: £724,000) (see note 17).

As a result of the unprecedented volume of claims received in the run up to the 29 August 2019 FCA deadline for making claims, the Group and the Company are in the process of assessing the claims received. Until this process is complete, the determination of an estimate of the amount of provision, representing management's best estimate of the cost of settling, requires the application of assumptions in respect of matters that are inherently uncertain, including the number of valid complaints received and the average cost of redress. Whilst these assumptions are subject to regular review against actual experience, it is possible that the claims against the Company that are yet to be assessed, will result in future costs which differ from those calculated using assumptions in order to derive management's best estimate.

Allowance for Credit impairment losses

The calculation of the Group's expected credit loss (ECL) allowances and provisions against loan commitments and guarantees under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below.

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Company is described in note 1.4 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. For Loans and advances to customers, the Company has assumed the expected life for each product to be the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company.

In addition, for non-retail ("wholesale") lending, the Company has considered the losses beyond the contractual term over which the Company is exposed to credit risk.

Significant increase in credit risk - Retail

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. For retail loans, either (i) a deterioration of two PD grades from the grade in which the account was originated, or (ii) a deterioration of two PD grades within the last twelve months, is considered a SICR.

Significant increase in credit risk - non-retail

The Company monitors a series of account flags which may indicate whether the asset has suffered a SICR which, for non-retail loans, are aligned to operational credit risk management strategies.

All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Allowance for Credit impairment losses (continued)

Origination PDs - Retail

As noted in the definition of SICR, a key quantitative criteria is a deterioration of two PD grades from origination. Management judgement has been used to determine a reasonable basis for estimating the origination PD for existing accounts at the date of transition to IFRS9 (1 January 2018). Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Company has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. The use of proxies and simplifications is not considered to materially impact the ECL allowance on transition.

Origination PDs - non-Retail

The assessment of whether there has been a significant increase in credit risk is a relative measure, dependent on an asset's PD at origination. Management judgement has been used to determine a reasonable basis for estimating the origination PD for existing accounts at the date of transition to IFRS9 (1 January 2018). Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Company has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. The use of proxies and simplifications is not considered to materially impact the ECL allowance on transition.

Post-model adjustments

Limitations in the Company's impairment models may be identified through its on-going assessment of the models. In these circumstances, post-model judgement is used to make appropriate adjustments to the Company's allowance for credit impairment losses in the Statement of comprehensive income. At 31 December 2019, post-model adjustments made in respect of Retail assets are £127,000 (2018: £139,000) and non-Retail assets are £nil (2018: £nil).

Forward looking

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this, the Group has developed an economic model to project a wide range of key impairment drivers using information derived from external sources. These drivers include factors such as the unemployment rate, the house price index, commercial property prices and corporate credit spreads. The model-generated economic scenarios for the six years beyond 2019 are mapped to industry-wide historical data by portfolio. Combined losses across portfolios are used to rank the scenarios by severity of loss. Alongside a defined central scenario three further scenarios are generated by averaging a group of individual scenarios around specified points along the loss distribution to reflect the range of outcomes. The central scenario reflects the Group's base case assumptions used for medium-term planning purposes, an upside and a downside scenario are also produced together with a severe downside scenario.

Rare occurrences of adverse economic events can lead to relatively large credit losses which means that typically the most likely outcome is less than the probability-weighted outcome of the range of possible future events. To allow for this a relatively unlikely severe downside scenario is therefore included. At 31 December 2018 and 2019, the base case, upside and downside scenarios each carry a 30 per cent weighting; the severe downside scenario is weighted at 10 per cent. The choice of alternative scenarios and scenario weights is a combination of quantitative analysis and judgemental assessment to ensure that the full range of possible outcomes and material non-linearity of losses are captured. A committee under the chairmanship of the Group Chief Economist meets quarterly to review and, if appropriate, recommend changes to the economic scenarios to the Group Chief Financial Officer and Group Chief Risk Officer. Findings dealing with all aspects of the expected credit loss calculation are presented to the Group Audit Committee; supported by a framework of Motor Finance-specific quarterly Impairment Review Meetings and monthly Impairme

Allowance for Market impairment losses

As set out in note 20.3 the Company's leasing arrangements expose it to market risk in the form of motor vehicle residual value primarily relating to the PCP product and to voluntary terminations. In order to assess an allowance loss relating to these risks the directors use assumptions including the extent to which customers are expected to return vehicles either at the end of the contract or, in the case of voluntary terminations, during the term of the contract, the likely future value of the vehicles returned and the associated costs of selling. The provision is based on management's best view using a probability based estimate of potential upside, base and downside scenarios. The scenarios are modelled based upon the Group view of the future economic environment within the UK. The residual value provision included within the accounts is £2,652,000 (2018: £1,444,000). The severe stress downside scenario, from experience, could result in a 25% drop in peak to trough used car values. A 5% increase in the likelihood that such scenario occurs at the expense of base case would increase the provision by £332,000 and, conversely, a 5% reduction w

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Net interest income

	2019	2018
	£'000	£'000
Interest income		
From finance lease and hire purchase contracts	**36,002**	33,512
From personal loans	**2**	9
From other loans and advances	**1,693**	1,555
	37,697	35,076
Interest expense		
Group interest expense (see note 19)	**(9,951)**	(8,081)
Net interest income	**27,746**	26,995

4. Fee and commission income

	2019	2018
	£'000	£'000
Fee and commission income		
Loan fees receivable	**457**	527

5. Credit impairment losses

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
31 December 2019				
Impact of transfers between stages	(34)	236	973	**1,175**
Other changes in credit quality	(926)	(139)	388	**(677)**
Additional/(repayments)	396	(146)	(325)	**(75)**
	(564)	(49)	1,036	**423**
In respect of:				
Loans and advances to customers	(582)	(49)	1,036	**405**
Commitments to lend	18	-	-	**18**
	(564)	(49)	1,036	**423**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
31 December 2018				
Impact of transfers between stages	(55)	176	966	1,087
Other changes in credit quality	(510)	(59)	251	(318)
Additional/(repayments)	571	(279)	(249)	43
	6	(162)	968	812
In respect of:				
Loans and advances to customers	8	(162)	968	814
Commitments to lend	(2)	-	-	(2)
	6	(162)	968	812

6. Market impairment losses

	2019	2018
	£'000	£'000
Brought forward at 1 January	**1,444**	1,000
Utilised during the year	**(386)**	(17)
Charge for the year	**1,594**	461
Carried forward at 31 December (see note 13)	**2,652**	1,444

Notes to the financial statements (continued)

For the year ended 31 December 2019

7. Other operating expenses

	2019 £'000	2018 £'000
Staff costs (see note 8 and note 19)	**725**	795
Management charges payable (see note 19)	**5,981**	5,854
Other operating expenses	**275**	354
	6,981	7,003

Fees payable to the Company's auditors for the audit of the financial statements of £20,000 (2018: £20,000) and fees for non-audit services of £12,250 (2018: £12,000) have been borne by a fellow group undertaking and are recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are recharged to the Company as part of Management fees.

8. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	**525**	568
Social security costs	**71**	70
Other pension costs	**129**	157
Total Staff costs (see note 19)	**725**	795

The average monthly number of employees during the year was 11 (2018: 11). All staff are located in the United Kingdom and provide management, administration and sales support.

Other pension costs comprise solely costs for defined contribution schemes in 2019.

All staff contracts of service are with Lloyds Bank Asset Finance Limited. However, the staff costs shown above were paid by the Company in respect of staff directly providing services to the Company.

9. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2018: £nil). The directors are employed by other companies within the Group or companies controlled by Suzuki GB plc and consider that their services to the Company are incidental to their other responsibilities within these organisations (see also note 19).

10. Taxation

	2019 £'000	2018 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**3,356**	3,522
- Adjustments in respect of prior years	**1**	1
Current tax charge	**3,357**	3,523
UK deferred tax:		
- Origination and reversal of timing differences	**39**	39
- Adjustments in respect of prior years	**-**	(1)
Deferred tax charge (see note 14)	**39**	38
Tax charge	**3,396**	3,561

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

10. Taxation (continued)

b) Factors affecting the tax charge for the year

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

	2019 £'000	2018 £'000
Profit before tax	**17,669**	18,669
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**3,358**	3,547
Factors affecting charge:		
- Adjustments in respect of prior years	**1**	-
- Disallowed and non-taxable items	**37**	14
Tax charge on profit on ordinary activities	**3,396**	3,561
Effective rate	**19.22%**	19.07%

11. Dividends

In 2019, dividends totalling £2,170.70 per "A" share and £2,170.70 per "B" share were paid, representing a total dividend of £21,707,000 (2018: £1,090 per "A" share and £1,090 per "B" share, representing a total dividend of £10,900,000).

12. Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from group undertakings (see note 19)	**433**	891
Other debtors	**3,105**	2,944
Other assets	**292**	978
	3,830	4,813

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand. Included in other debtors is a manufacturing subsidy receivable from Suzuki GB plc of £1,440,000 (2018: £1,204,000) (see note 19).

At 31 December 2019, the Company held an asset of £nil (2018: £254,000) in respect of indemnities from Black Horse Limited in relation to a specific provision (see note 17).

At 31 December 2019, the Company recognised an asset of £292,000 (2018: £724,000) in respect of indemnities from Black Horse Limited in relation to PPI (see note 17).

13. Loans and advances to customers

13.1 Loans and advances to customers - maturity

	2019 £'000	2018 £'000
Advances under finance lease and hire purchase contracts	**505,258**	470,432
Personal loans to customers	**61**	104
Other loans and advances to customers	**55,138**	76,623
Gross loans and advances to customers	**560,457**	547,159
Less: allowance for Credit losses on loans and advances	**(3,397)**	(3,906)
Less: allowance for Market losses on loans and advances	**(2,652)**	(1,444)
Net loans and advances to customers	**554,408**	541,809
of which:		
Due within one year	**185,338**	198,363
Due after one year	**369,070**	343,446
	554,408	541,809

Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Loans and advances to customers (continued)

13.1 Loans and advances to customers - maturity (continued)

Loans and advances to customers include finance lease and hire purchase receivables:

	2019 £'000	2018 £'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	**148,751**	138,786
- one to two years	**167,495**	155,288
- two to three years	**135,290**	125,429
- three to four years	**109,446**	101,468
- four to five years	**7,505**	6,958
	568,487	527,929
Unearned future finance income on finance lease and hire purchase contracts	**(63,229)**	(57,497)
Net investment in finance lease and hire purchase contracts	**505,258**	470,432

The net investment in finance lease and hire purchase contracts may be analysed as follows:

	2019 £'000	2018 £'000
- no later than one year	**132,206**	123,671
- one to two years	**148,867**	138,376
- two to three years	**120,243**	111,768
- three to four years	**97,272**	90,417
- four to five years	**6,670**	6,200
	505,258	470,432

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 2 and 4 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2018: £nil).

Further analysis of Loans and advances to customers is provided in note 20.

13.2 Loans and advances to customers - movement over time

As required by IFRS 9, a break-down of the Company's Loans and advances to customers by stage is presented below:

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 1 January 2019	493,153	51,127	2,879	**547,159**
Transfers to Stage 1	14,960	(14,960)	-	**-**
Transfers to Stage 2	(28,327)	28,463	(136)	**-**
Transfers to Stage 3	(2,432)	(2,590)	5,022	**-**
Net increase/(decrease) in loans and advances to customers	23,135	(4,551)	(3,706)	**14,878**
Financial assets that have been written off during the year	-	-	(1,654)	**(1,654)**
Reinstatement of provisions previously written off	-	-	74	**74**
Gross loans and advances to customers	500,489	57,489	2,479	**560,457**
Less: allowance for Credit losses on loans and advances	(596)	(1,565)	(1,236)	**(3,397)**
Less: allowance for Market losses on loans and advances	(2,487)	(165)	-	**(2,652)**
Net loans and advances to customers	497,406	55,759	1,243	**554,408**

13. Loans and advances to customers (continued)

13.2 Loans and advances to customers - movement over time

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Balance as at 1 January 2018	426,600	60,310	3,581	490,491
Transfers to Stage 1	16,328	(16,307)	(21)	-
Transfers to Stage 2	(23,826)	24,053	(227)	-
Transfers to Stage 3	(2,034)	(2,394)	4,428	-
Net increase/(decrease) in loans and advances to customers	76,084	(14,535)	(3,224)	58,325
Financial assets that have been written off during the year	-	-	(1,764)	(1,764)
Reinstatement of provisions previously written off	-	-	107	107
Gross loans and advances to customers	493,152	51,127	2,880	547,159
Less: allowance for Credit losses on loans and advances	(792)	(1,614)	(1,500)	(3,906)
Less: allowance for Market losses on loans and advances	(1,338)	(106)	-	(1,444)
Net loans and advances to customers	491,022	49,407	1,380	541,809

Included within the movement over time analysis are unguaranteed residual value payments of £256,499,000 (2018: £226,497,000).

14. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2019	2018
	£'000	£'000
At 1 January	**313**	3
Transition to IFRS 9	**-**	348
At 1 January under IFRS 9	**313**	351
Charge for the year (see note 10)	**(39)**	(38)
At 31 December	**274**	313

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2019	2018
	£'000	£'000
Accelerated capital allowances	**-**	(1)
Allowances for impairment losses	**(39)**	(37)
	(39)	(38)

The Deferred tax asset comprises:

	2019	2018
	£'000	£'000
Accelerated capital allowances	**3**	3
Other temporary differences	**271**	310
	274	313

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19% on 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020. The effect of this proposed rate change on the Company's deferred tax balances has been assessed and is not significant.

Notes to the financial statements (continued)
For the year ended 31 December 2019

15. Borrowed funds

	2019	2018
	£'000	£'000
Amounts due to group undertakings (see note 19)	**528,255**	508,773

Amounts due to group undertakings is unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Black Horse Limited are interest bearing at variable rates based on the LIBOR plus a margin or at a fixed rate set at the inception of lease agreements. Amounts due from other group entities are non-interest bearing.

16. Trade and other payables

	2019	2018
	£'000	£'000
Other tax and social security payable	**79**	58
Accruals and deferred income	**319**	661
	398	719

Included within Accruals and deferred income is the subsidy income from Suzuki GB plc of £192,000 (2018: £321,000) which is deferred on the Balance sheet and then released to the Statement of comprehensive income over 27 months, which is the typical length a lease agreement lasts.

17. Provision for liabilities and charges

	Undrawn loan commitments	**Payment protection insurance**	**Other provision**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 31 December 2017	**-**	**-**	375	**375**
Transition to IFRS 9	61	**-**	**-**	**61**
At 1 January 2018	61	-	375	**436**
Charge for the year	(2)	577	-	**575**
Indemnified by Black Horse Limited	-	724	(121)	**603**
Utilised during the year	**-**	(46)	-	**(46)**
At 31 December 2018	59	1,255	254	**1,568**
Charge for the year	46	1,536	-	**1,582**
Reversal of unused Indemnity provision	-	(203)	(244)	**(447)**
Utilised under indemnity from Black Horse Limited	-	(229)	-	**(229)**
Utilised during the year	(24)	(857)	(10)	**(891)**
At 31 December 2019	**81**	**1,502**	**-**	**1,583**

During the year, the Company undertook an exercise relating to potential retrospective rectification activity to provide redress to affected customers in relation to arrears management. The Company has reversed and released the provision relating to these redress claims (2018: £254,000). Black Horse Limited indemnified the Company against all actions arising from this issue (see note 12).

As described in note 2, an assessment has been made of the potential future transfer of economic benefits from claims made against the Company in relation to PPI. Black Horse Limited has agreed to indemnify retrospectively PPI claims that meet certain criteria. As at 31 December 2019, the Company has provided £1,502,000 (2018: £1,255,000) against all PPI claims of which an amount of £292,000 (2018: £724,000) is indemnified by Black Horse Limited (see note 12).

Notes to the financial statements (continued)

For the year ended 31 December 2019

18. Share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid		
5,100 (2018: 5,100) "A" ordinary shares of £1 each	**5**	5
4,900 (2018: £4,900) "B" ordinary shares of £1 each	**5**	5
	10	10

At 31 December 2019, the authorised share capital of the Company was £10,000 divided into 5,100 "A" ordinary shares of £1 each and 4,900 "B" ordinary shares of £1 each.

The "A" ordinary shares rank pari passu with the "B" ordinary shares, including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company. The "A" ordinary shares are held by Black Horse Group Limited, the "B" ordinary shares are held by Suzuki GB plc.

19. Related party transactions

The Company is controlled by the Retail Division. A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related expense for the year are set out below.

	2019 £'000	2018 £'000
Amounts due from group undertakings		
Black Horse Limited	**431**	885
Lloyds Bank plc	**2**	6
Total Amounts due from group undertakings (see note 12)	**433**	891
Amounts due to group undertakings		
Bank of Scotland plc	**280**	284
Black Horse Group Limited	**11,071**	10,404
Black Horse Limited	**516,809**	496,377
Lloyds Bank plc	**95**	1,708
Total Amounts due to group undertakings (see note 15)	**528,255**	508,773
Interest expense		
Black Horse Limited (see note 3)	**9,951**	8,081
Management fees payable/charges payable		
Black Horse Limited (see note 7)	**5,981**	5,854
Staff costs recharge		
Black Horse Limited (see note 7 and 8)	**725**	795

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Loans and advances to customers of £554,408,000 (2018: £541,809,000) includes manufacturing subsidies of £25,799,000 (2018: £25,519,000) received during the year from the non-controlling interest, Suzuki GB plc. As at 31 December 2019, an amount of £1,440,000 (2018: £1,204,000) was outstanding (see note 12).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprises the directors of the Company, the directors of the Retail Division and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group or the Suzuki GB plc and consider that their services to the Company are incidental to their other activities within those groups.

20. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and business risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Division, and the ultimate parent, Lloyds Banking Group plc. Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by Retail Finance's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

20.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with Loans and advances to customers is managed through the application of strict underwriting criteria, determined by the Group's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for all losses expected to be incurred at the balance sheet date, using the basis of assessment discussed in notes 1.4 and 2.

For loans and advances, credit risk arises both from amounts lent and commitments to extend credit to a customer, principally loan commitments.

Amounts due from other group undertakings are held with other companies within the Group. These financial assets are considered to be good quality. The credit risk associated with these financial assets is not considered to be significant.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- Credit scoring: In its principal Retail portfolios, the Company uses statistically based decision techniques (primarily credit scoring). Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to Group Risk approval.

- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.

- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Credit concentration

The Company lends to customers geographically located within the United Kingdom.

Customers for products in the Retail segment are mainly private individuals. The Wholesale segment comprises financing for motor dealers.

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

The analysis of lending has been prepared by applying the Group's rating scales to the Company's impairment model. The internal credit ratings systems are set out below. The Group's probabilities of default ("PD"s), that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired.

At 31 December 2019	**PD range**	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Retail					
RMS 1-6	0.00-4.50%	444,442	44,137	-	**488,579**
RMS 7-9	4.51-14.00%	962	6,714	-	**7,676**
RMS 10	14.01-20.00%	-	2,473	-	**2,473**
RMS 11-13	20.01-99.99%	32	4,166	-	**4,198**
RMS 14	100%	-	-	2,478	**2,478**
		445,436	57,490	2,478	**505,404**
At 31 December 2019					
Wholesale					
CMS 1-10	0.00-0.050%	7,979	-	-	**7,979**
CMS 11-14	0.051-3.00%	40,359	-	-	**40,359**
CMS 15-18	3.01-20.00%	5,436	-	-	**5,436**
CMS 19	20.01-99.99%	1,279	-	-	**1,279**
		55,053	-	-	**55,053**
Total loans and advances to customers		500,489	57,490	2,478	**560,457**

At 31 December 2018	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Retail					
RMS 1-6	0.00-4.50%	415,068	36,577	-	451,645
RMS 7-9	4.51-14.00%	2,140	7,309	-	9,449
RMS 10	14.01-20.00%	-	2,611	-	2,611
RMS 11-13	20.01-99.99%	60	4,631	-	4,691
RMS 14	100%	-	-	2,207	2,207
		417,268	51,128	2,207	470,603

At 31 December 2018	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Wholesale					
CMS 1-10	0.00-0.050%	19,466	-	-	19,466
CMS 11-14	0.051-3.00%	46,767	-	-	46,767
CMS 15-18	3.01-20.00%	7,340	-	-	7,340
CMS 19	20.01-99.99%	2,311	-	-	2,311
CMS 20-23	100%	-	-	672	672
		75,884	-	672	76,556
Total loans and advances to customers		493,152	51,128	2,879	547,159

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.1 Credit risk (continued)

Commitments to lend

At 31 December 2019	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Wholesale					
CMS 1-10	0.00-4.50%	14,970	-	-	**14,970**
CMS11-14	0.51-3.00%	52,004	-	-	**52,004**
CMS15-18	3.01-20.00%	4,763	-	-	**4,763**
CMS19	20.01-99.99%	2,446	-	-	**2,446**
		74,183	-	-	**74,183**

At 31 December 2018					£'000
Wholesale					
CMS 1-10	0.00-0.050%	58,518	-	-	58,518

Commitments to lend consist of undrawn formal standby facilities, credit facilities and other commitments to lend with Suzuki GB plc's dealership network.

Analysis of movement of allowance for credit impairment losses by stage

In respect of loans and advances to customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2019	792	1,614	1,500	**3,906**
Transfers to Stage 1	186	(186)	-	**-**
Transfers to Stage 2	(178)	259	(81)	**-**
Transfers to Stage 3	(28)	(290)	318	**-**
Impact of transfers between stages	(14)	453	734	**1,173**
Other items charged/(credited) to the Statement of comprehensive income	(548)	(285)	65	**(768)**
Charge/(credit) for year (including recoveries)	(582)	(49)	1,036	**405**
Advances written off	-	-	(1,654)	**(1,654)**
Recoveries of prior advances written off	386	-	74	**460**
Unwind of discount	-	-	280	**280**
At 31 December 2019	596	1,565	1,236	**3,397**

In respect of undrawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2019	59	-	-	**59**
Charge for year (including recoveries)	18	-	-	**18**
At 31 December 2019	**77**	**-**	**-**	**77**

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.1 Credit risk (continued)

Analysis of movement of allowance for credit impairment losses by stage (continued)

In respect of loans and advances to customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2018	769	1,776	1,928	**4,473**
Transfers to Stage 1	221	(209)	(12)	**-**
Transfers to Stage 2	(118)	253	(135)	**-**
Transfers to Stage 3	(36)	(260)	296	**-**
Impact of transfers between stages	(122)	392	819	**1,089**
Other items charged/(credited) to the Statement of comprehensive income	61	(338)	-	**(277)**
Charge/(credit) for year (including recoveries)	6	(162)	968	**812**
Advances written off	-	-	(1,764)	**(1,764)**
Recoveries of prior advances written off	17	-	107	**124**
Unwind of discount	-	-	261	**261**
At 31 December 2018	792	1,614	1,500	3,906

In respect of undrawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2018	61	-	-	61
Credit for year (including recoveries)	(2)	-	-	(2)
At 31 December 2018	59	-	-	59

Repossessed collateral

Collateral held against Loans and advances to customers principally comprises motor vehicles. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

20.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

20.3 Market risk

The terms of the Company's leasing arrangements expose it to market risk in respect of the residual value of the vehicles financed as follows:

PCP agreements

This is an arrangement which allows the borrower to return the vehicle to the Company or to pay the pre-agreed residual value to acquire title to the vehicle financed. As a result the Company is exposed to a risk of loss where the actual residual value falls below the pre-agreed residual value. The pre-agreed residual value is set by the pricing committee which includes members with significant knowledge and experience of the motor industry. Subsequently, residual values within the portfolio of vehicles are monitored by a residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data (see note 1.4 ii).

20. Financial risk management (continued)

20.3 Market risk (continued)

Voluntary terminations

There is legislation governing certain leasing arrangements that allows lessees to return the vehicle to the lessor, without liability, once they have paid more than 50% of the finance element of the agreement. As a result the Company is exposed to a risk that the residual value of a vehicle at the time that the lessee chooses to invoke this right to return the vehicle and cease payment is insufficient to cover the net book value of the loan receivable at that date. To mitigate against this risk the Company works with dealers to make sure that voluntary termination is the right approach for the customer. In addition, contracts include provisions for excess mileage charges and as a fall back we hold a provision against potential shortfall in market value as described in note 1.4 (ii).

20.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in the LIBOR which is the basis for the interest rate on intercompany balances. A 0.19% (2018: 0.25%) increase or decrease is used to assess the possible change in Interest expense. This rate is appropriate as it is the amount by which the LIBOR increased in the year.

If the LIBOR increased by 0.19% (2018: 0.25%) and all other variables remain constant this would increase Interest expense by £146,000 (2018: £178,000) and accordingly decrease Interest expense by £146,000 (2018: £178,000) if the LIBOR decreased by the same amount.

20.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

20.6 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

20.7 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of Loans and advances to customers are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £581,742,000 (2018: £568,211,000). The directors consider that, for all other financial assets and liabilities, there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

21. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's ultimate parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

Notes to the financial statements (continued)
For the year ended 31 December 2019

22. Contingent liabilities and capital commitments

There were no contracted capital commitments at the Balance sheet date (2018: £nil).

The financial statements for the year ended 31 December 2018 were approved after the FCA deadline of 29 August 2019 for customers to make claims in relation to the mis-selling of PPI. As a result of the unprecedented volume of potential claims received by the Group during August 2019, the requirement for the evaluation of individual claims in order to form a reliable estimate of the exposure and the limited time available prior to the approval of the 2018 financial statements, the directors concluded that it was not possible to determine a reliable estimate in respect of these claims for the purposes of the 2018 financial statements.

The directors are satisfied that sufficient evaluation of the claims received has now been performed in order to calculate a reliable estimate of the Company’s exposure (see note 17).

There were no contingent liabilities at 31 December 2019.

23. Post balance sheet events

In March 2020 the World Health Organisation declared the outbreak of Covid-19 a global pandemic. The outbreak and the action taken by government's across the world are causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event given the limited number of cases reported as at 31 December 2019. In view of its currently evolving nature, the Directors continue to monitor the developments closely. Based upon an initial assessment of the likely impact of the pervasive disruption experienced in the UK, the directors assessed an additional credit impairment of £3,573,000 in June 2020. In addition, the disruption to the economy and the used car market is expected to impact both customer behaviour and used car prices in the near future and the Company's market impairment provision was increased by £1,282,000 in June 2020 based upon an assessment of the impact on the future volume and value of vehicles returned to the Company by lessees either early or at the end of the lease.

24. Future developments

The following pronouncement will be relevant to the Company but was not effective for the year ended 31 December 2019 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).	Annual periods beginning on or after 1 January 2019

The full impact of this pronouncement is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

25. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Group Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

Independent Auditors' report to the members of Suzuki Financial Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Suzuki Financial Services 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 Cash flow statement, 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

Independent Auditors' report to the members of Suzuki Financial Services Limited (continued)

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 6, 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 member 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.

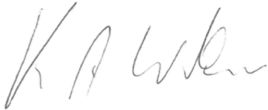
Other required reporting

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.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

8 September 2020