The Lancashire and Yorkshire Reversionary Interest Company Limited

Directors and Officers

Directors

J C Baddeley
K J Bye
O Stowe

Officer - Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Registered Office

Aviva
Wellington Row
York
YO90 1WR

Company Number

Registered in England and Wales: No. 19770

Other Information

The Lancashire and Yorkshire Reversionary Interest Company Limited ("the Company") is a member of the Aviva plc group of companies ("the Group")

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Contents

The directors present their Strategic Report for The Lancashire and Yorkshire Reversionary Interest Company Limited (the Company) for the year ended 31 December 2019.

Review of the Company's business

The Company is a limited liability company incorporated in England and Wales. The principal activity of the Company was the purchase of, and secured lending on, life interests and reversions. The Company is no longer open to new business.

Financial position and performance

Total operating expenses incurred decreased to £40,000 for 2019 *(2018: £52,000).*

Total equity decreased by £239,000 *(2018: increased by £166,000)*, reflecting the profit for the year less the dividend paid.

Future outlook

The directors consider that the Company will continue to operate in a manner consistent with 2019 into the foreseeable future.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK, as well as causing increased volatility and declines in financial markets. The spread of the virus is now slowing down and restrictions are beginning to lift but the risk of subsequent peaks means the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

The company continues to maintain healthy liquidity and expects to meet its cash requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and Group employees including frontline customer facing staff being supported to ensure that that we were there to support our customers when they need us most. As the situation is still evolving it is not practicable to quantify the potential impact of volatile financial markets on expected earnings or the Company at this stage.

Principal risks and uncertainties

The Company is exposed to financial risk through its financial assets and liabilities in the ordinary course of its business. It is also exposed to operational risk of loss resulting from internal processes, people and systems, or from external events, including regulatory risk.

The Company is indirectly exposed to market risk as it has an interest in the underlying trust assets, and income receivable may be affected by the value of those underlying investments. To reduce the risk that income receivable is not sufficient to recover the initial cost of the Company's investment, the Company has taken out life insurance policies for all life interest customers. The principal risk facing the Company remains credit risk, should counterparties fail to meet all or part of their obligations in a timely fashion.

The Company uses a number of metrics to measure, monitor and manage risks and a fuller explanation of these risks, other than operational risk, may be found in note 12 to the financial statements.

Key performance indicators (KPIs)

Revenue represents gross receipts from life interests and property, including interest on loans. Income for the year has decreased by 39% to £277,000 *(2018: £454,000)*. The downward movement is due to lower income from life insurance policies of £7,000 for 2019 *(2018: £188,000)* and £17,000 from a rectification case *(2018: £22,000)*. Income on live policies is in line with 2018. This is in line with expectations as the business is in run-off and the number of remaining policies is falling year on year.

Profit for the year is £261,000 *(2018: £166,000)*. Total equity has decreased by £239,000 *(2018: increased by £166,000)*, reflecting the profit for the year less the dividend paid. *(2018: profit for the year)*.

Section 172 (1) statement

The Directors report here how they have discharged their duties under Section 172(1) of the Companies Act 2006 and during 2019.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the "Company" to ensure that its obligations to its shareholder and to its stakeholders are met.

The Board monitors adherence to the Aviva Group business standards and compliance with the Aviva Governance Framework. The Company, as a wholly owned subsidiary of Aviva plc Group, is managed as part of its UK Life business.

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision-making process.

The Board is also focussed on the wider social context within which our businesses operate, including those issues related to climate change which are of fundamental importance to the planet's well-being.

The Company's culture

As the provider of vital financial services to many customers, the Company seeks to earn customers' trust by acting with integrity and responsibility at all times. The Company looks to build relationships with all stakeholders based on openness and continuing dialogue.

The Company's culture is shaped by clearly defined values to help ensure it operates appropriately and does the right thing. The Company values diversity and inclusivity in our workforce and beyond. The commitment we make to each customer extends to all our stakeholders; that we are 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud of the Company's people who live by Aviva's core value of 'Care More' for our customers for each other and for the communities they serve.

Key strategic decisions in 2019

Following the split of the UKI business into separate UK Life and Pensions and General Insurance businesses, and the appointment of Angela Darlington as the UK Life CEO, and the appointment of Lindsey Rix as the UK Savings and Retirement CEO, the Aviva Life & Pensions UK Limited (UKLAP) Board, being the immediate shareholder of the Company, has aligned its strategic focus with that of Aviva Group, to develop Savings and Retirement as a core growth opportunity for the Life business, supporting customers to save for the future, navigate their retirement and to protect what's most important to them.

Stakeholder Engagement

(i) Employees

The Company has no employees. The staff engaged in the activities of the Company are employed by fellow subsidiary undertakings of Aviva plc. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.

Aviva Group engagement mechanisms include employee forums, internal communication channels, and informal meetings with Directors and employee engagement surveys.

A comprehensive global employee engagement survey is carried out each year, and the results are considered by the Board in the context of culture, values and behaviours and actions to continually improve the scores are discussed and agreed.

Aviva employees share in the business' success as shareholders through membership of the Group's global share plans.

(ii) Customers

During 2019, the Board, in conjunction with Aviva plc, has renewed its focus on Aviva as a trusted long-term partner for our customers helping them to save for the future, navigate retirement and protect where it matters most. On behalf of the Company, the UKLAP Board -

- closely monitors customer metrics and engages with the leadership team to understand the issues if business performance does not meet customers' expectations;
- continues to monitor and review developments concerning changes to our IT platforms which will allow us to simplify and support service delivery to our customers;
- receives reporting on strategic initiatives throughout the year, undertaking deep dives into areas that impact the customer in order to re-align strategy where applicable;
- regularly receives input to enable it to closely monitor customer metrics, and subsequently engage with the senior leaders to address any issues that may arise from customer complaints, feedback and our approach to Treating the Customer Fairly; and
- works to ensure that we deliver fair value to our customers, and is currently reviewing a number of product governance issues and making redress to affected customer where appropriate.

(iii) Suppliers

All supplier related activity is managed in line with the Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.

In the UK, the ultimate parent Aviva plc is a signatory of the Prompt Payment Code which sets standards for high payment practices. Aviva is a Living Wage employer in the UK, and supplier contracts include a commitment to paying eligible employees not less than the Living Wage in respect of work provided to Aviva at our premises in the UK.

(iv) Communities

Aviva runs a health and wellbeing proposition for UK employees, Wellbeing@Aviva, providing products, improved policies and better support to enhance employees mental, physical, community & financial welling. This has led to Aviva's people creating of a number of internal communities to enable colleagues connect over activities they are passionate about.

The UK Life business supports a number of local issues, including the charity 'York Cares' which pursues any charitable purpose for the benefit of the people for the City of York. Aviva received an award recently from York Cares at the annual recognition event for the social connection work by Aviva staff with the dementia ward at York hospital.

Aviva Group actively encourages and supports colleagues to volunteer in their communities, to make a positive impact and help build stronger communities.

(v) Shareholders

The Company's ultimate shareholder is Aviva plc and its immediate shareholder is UKLAP. Any matters requiring escalation are escalated by the Board through the Chairman to its parent.

By order of the Board

Aviva Company Secretarial Services Limited
Company Secretary *22 September 2020*

The directors present their annual report and financial statements for The Lancashire and Yorkshire Reversionary Interest Company Limited (the Company) for the year ended 31 December 2019.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are listed on page 1.

Dividend

During the year the Company paid a dividend of £500,000 *(2018: £nil)*.

Financial risk management

Details of financial risk management are discussed in the principal risks and uncertainties section of the Strategic Report on page 3.

Future development

Details of future development are discussed in the future outlook section of the Strategic Report on page 3.

Employees

All staff are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited (AESL), who make a management charge for the provision of staff to the Company. It is not possible to ascertain separately the element of the management charge that relates to staff costs. Disclosures relating to employee remuneration and the average number of persons employed are made in the Financial Statements of AESL.

Disclosure of information to the auditors

Each person who was a director of the Company on the date that this report was approved, confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditors are unaware; and
- each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

It is the intention of the directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Section 487 of the Companies Act 2006.

Qualifying indemnity provisions

Aviva plc, the Company's ultimate parent, granted in 2004 an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions were in force throughout the year and at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

By order of the Board

Aviva Company Secretarial Services Limited
Company Secretary *22 September 2020*

Report on the audit of the financial statements

Opinion

In our opinion, The Lancashire and Yorkshire Reversionary Interest Company 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 financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of cash flows, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 7, 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sean Forster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 September 2020

The Company is a private company limited by shares and domiciled in the United Kingdom (UK). The Company was involved in the purchase of, and secured lending on, life interests and reversions. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements are prepared on the going concern basis.

The financial statements are stated in sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2019:

(i) IFRS 16 Leases

In January 2016, the IASB published IFRS 16 Leases. This standard replaces IAS 17 Leases and applies to annual reporting periods beginning on or after 1 January 2019. The standard has been endorsed by the EU. IFRS 16 has introduced a definition of a lease with a single lessee accounting model, eliminating the previous classification of either operating or finance leases. Lessees are required to recognise lease assets and liabilities on the statement of financial position for all leases, with the exception of short-term and low-value leases. Lessor accounting remains similar to the previous approach set out in IAS 17. The adoption of IFRS 16 did not impact the Company.

The following amendments to existing standards and IFRIC interpretations have been issued and endorsed by the EU, are effective from 1 January 2019 or earlier, and do not have a significant impact on the Company's financial statements.

(i) IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019.

(ii) Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective for annual reporting beginning on or after 1 January 2019.

(iii) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments are effective for annual reporting beginning on or after 1 January 2019.

(iv) Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to three IFRSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019.

Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards and amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:

(i) IFRS 17, Insurance Contracts

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The adoption of IFRS 17 is not expected to have a significant impact on the Company's financial statements. It is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023 and this standard has not yet been endorsed by the EU.

(ii) Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and were endorsed by the EU on 29 November 2019.

(iii) Amendment to IFRS 3 Business Combinations

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and have not yet been endorsed by the EU.

(iv) Amendment to IAS 1 and IAS 8: Definition of material

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020 and were endorsed by the EU on 29 November 2019.

(v) Interest Rate Benchmark Reform

Published by the IASB in October 2019. The amendments are effective for annual reporting beginning on or after 1 January 2020 and were endorsed by the EU on 15 January 2020.

(vi) Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non current.

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022 and have not yet been endorsed by the EU.

(B) Critical accounting estimates and judgements

The preparation of the Company's financial statements, in accordance with IFRS, requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. There are no major areas of judgement on policy application for the Company.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly. There are no items considered to be particularly susceptible to changes in estimates and assumptions for the Company.

(C) Revenue

Revenue represents gross receipts from life interests and property, including interest on loans. The basis of recognition of revenue is as follows:

Life interests	- when they become receivable
Interest on loans	- on an accruals basis

(D) Cost of sales

Cost of sales represents report fees and costs, life insurance premiums payable, management fees and the value of derecognised loans in relation to fallen in cases.

(E) Interest receivable and similar income

Interest income is recognised as it accrues.

(F) Investments

Investments with fixed or determinable payments and where repayments consist solely of principal and interest are carried at amortised cost using the effective interest rate method. Other investments are classed as mandatorily held at fair value through profit and loss. For these investments the carrying value is equal to cost, being a reasonable approximation of fair value. The Company does not intend to dispose of these investments.

Investments are derecognised and treated as realisations when the right to receive cash flows from the asset has expired. These are included within cost of sales in the income statement.

Investments are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, should for example the value of the asset on which the loan is secured ever fall below the loan amount. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. Impairments in value are charged to the income statement.

(G) Receivables and payables

The classification and measurement of financial assets, including receivables, is driven by an assessment of the Company's business model for managing financial assets, and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest. Based on the outcome of this assessment, receivables are initially recognised at the transaction price, with subsequent measurement being at amortised cost.

The Company calculates expected credit losses for all financial assets held at either amortised cost or fair value through other comprehensive income. Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition. The Company makes use of a simplified approach for trade receivables such that expected credit losses are always calculated on a lifetime basis.

Payables are initially recognised at their fair value, with subsequent measurement being at amortised cost.

(H) Statement of cash flows

Cash and cash equivalents consist of cash at banks and in hand.

(I) Income taxes

The current tax expense is based on the profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before tax and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively. Deferred tax related to any fair value re-measurement of available for sale investments, owner occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

(J) Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

The Lancashire and Yorkshire Reversionary Interest Company Limited
Income statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income			
Revenue	C	**277**	454
Cost of sales	D	**(18)**	(199)
Gross profit		**259**	255
Interest receivable and similar income	E	**3**	2
		262	257
Expenses			
Operating expenses	1	**(40)**	(52)
Profit before tax		**222**	205
Tax credit/(charge)	I & 3	**39**	(39)
Profit for the year		**261**	166

The Company has no other comprehensive income.

The accounting policies (identified alphabetically) on pages 10 to 13 and the notes (identified numerically) on pages 18 to 24 are an integral part of these financial statements.

The Lancashire and Yorkshire Reversionary Interest Company Limited
Statement of financial position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Investments	F & 4	**701**	706
Tax assets	I & 7	**26**	4
Receivables	G & 8	**170**	468
Prepayments and accrued income		**9**	13
Cash and cash equivalents	H & 10	**-**	-
Total assets		**906**	1,191
Equity			
Ordinary share capital	J & 5	**462**	462
Retained earnings	6	**404**	643
Total equity		**866**	1,105
Liabilities			
Payables and other financial liabilities	G & 9	**40**	86
Total liabilities		**40**	86
Total equity and liabilities		**906**	1,191

The financial statements were approved by the Board of directors on 22 September 2020 and were signed on its behalf by

O Stowe *Director*

The accounting policies (identified alphabetically) on pages 10 to 13 and the notes (identified numerically) on pages 18 to 24 are an integral part of these financial statements.

The Lancashire and Yorkshire Reversionary Interest Company Limited
Statement of changes in equity
For the year ended 31 December 2019

	Note	Ordinary share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		462	477	939
Profit for the year	6	-	166	166
Balance at 31 December 2018		**462**	**643**	**1,105**
Profit for the year	6	-	**261**	**261**
Dividends	J & 6	-	**(500)**	**(500)**
Balance at 31 December 2019		**462**	**404**	**866**

The accounting policies (identified alphabetically) on pages 10 to 13 and the notes (identified numerically) on pages 18 to 24 are an integral part of these financial statements.

The Lancashire and Yorkshire Reversionary Interest Company Limited
Statement of cash flows
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from/(used in) operations	10	**500**	(1)
Net cash generated from/(used in) operating activities		**500**	(1)
Cash flows from financing activities			
Dividends paid	6	**(500)**	-
Net cash used in financing activities		**(500)**	-
Net increase/(decrease) in cash and cash equivalents		-	(1)
Cash and cash equivalents at 1 January		-	1
Cash and cash equivalents at 31 December	10	-	-

The accounting policies (identified alphabetically) on pages 10 to 13 and the notes (identified numerically) on pages 18 to 24 are an integral part of these financial statements.

1. Operating expenses

Under a management agreement Aviva Life Services UK Limited (UKLS), a fellow group undertaking, supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable to UKLS which are shown in note 13(c).

Directors' emoluments

All directors were remunerated by AESL, a fellow subsidiary of the ultimate parent company, Aviva plc. The emoluments are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Aviva Group. No direct recharge has been made to the Company in respect of these emoluments as these directors were not primarily remunerated for their services to the Company. Accordingly, no emoluments are disclosed in respect of these directors.

2. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP and their associates, in respect of the audit of these financial statements, is shown below:

	2019	2018
	£'000	£'000
Fees payable for the audit of the Company's financial statements	**3**	3

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'other services' as the Company is a subsidiary of Aviva plc which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit of the Company and other Group undertakings are disclosed in the consolidated financial statements of Aviva plc.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

3. Tax credit/(charge)

(a) Tax credited/(charged) to the income statement

The total tax credit/(charge) comprises:

	2019	2018
Current tax	**£'000**	£'000
For this year	**-**	(39)
Prior year adjustment	**39**	-
Total tax credited/(charged) to the income statement	**39**	(39)

(b) Tax reconciliation

The tax on the Company's profit before tax differs from *(2018: same as)* the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

	2019 £'000	2018 £'000
Total profit before tax	**222**	205
Tax calculated at standard UK corporation tax rate of 19% *(2018: 19%)*	**(43)**	(39)
Adjustment to tax credit/(charge) in respect of prior years	**39**	-
Surrender of losses from Group undertakings for no charge	**43**	-
Total tax credited/(charged) to the income statement (note 3(a))	**39**	(39)

Finance Act 2016 introduced legislation reducing the UK corporation tax rate from 1 April 2020 to 17%. In the Budget of 11 March 2020 the UK Government reversed this rate reduction, announcing that the UK corporation tax rate will remain at 19% from 1 April 2020 and this was substantively enacted on 17 March 2020. As the company has no deferred tax assets or liabilities, any future changes in tax rates have no impact on the net assets of the Company as at 31 December 2019.

4. Investments

Carrying amounts	**Life interests £'000**	**Loans and interest outstanding £'000**	**Total £'000**
Balance at 1 January 2018	815	77	892
Realisations	(179)	-	(179)
Additions	-	1	1
Impairment	-	(8)	(8)
Balance at 31 December 2018	636	70	706
Realisations	**(6)**	-	**(6)**
Additions	-	**4**	**4**
Impairment	-	**(3)**	**(3)**
Balance at 31 December 2019	**630**	**71**	**701**

For life interest cases the Company purchased the right to all or part of a set amount of income due from portfolios of assets held in trust (based on an estimate of the yield from the portfolio within the trust and estimated lifespan of the client). The Company receives this income over the lifetime of the client.

Loan balances are secured against assets. These balances accrue and compound interest, which is repaid in its entirety on death from the residual estate of the client. The value of one of the loans, plus accrued interest, is now higher than the assets upon which it is secured and the loan value was therefore impaired again during 2019.

All investments are considered to be recoverable in more than one year due to the uncertainty surrounding the timing of derecognition.

5. Ordinary share capital

Details of the ordinary share capital of the Company at 31 December are as follows:

	2019 £'000	2018 £'000
The allotted, called up and fully paid share capital of the Company was:		
50,000 *(2018: 50,000)* ordinary shares of £9.25 each	**462**	462

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

6. Retained earnings

	2019 £'000	2018 £'000
Balance at 1 January	**643**	477
Profit for the year	**261**	166
Dividend of £10 per share *(2018: £nil)*	**(500)**	-
Balance at 31 December	**404**	643

7. Tax

(a) General

Tax assets recoverable in more than one year are £nil *(2018: £4,000)*. The balance of £26,000 is current.

(b) Deferred tax

The Company had no recognised or unrecognised deferred tax amounts at the year end *(2018: £nil)*.

8. Receivables

	2019 £'000	2018 £'000
Amounts owed by group undertakings	**170**	468

Of the above total, £nil *(2018: £nil)* is expected to be received more than one year after the statement of financial position date.

9. Payables and other financial liabilities

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**40**	86

Of the above total, £nil *(2018: £nil)* is expected to be paid more than one year after the statement of financial position date.

10. Statement of cash flows

The reconciliation of profit before tax to the net cash inflow from operating activities is:

	2019 £'000	2018 £'000
Profit before tax	**222**	205
Changes in working capital:		
Decrease/(increase) in receivables	**298**	(399)
Decrease in prepayments and accrued income	**4**	65
Decrease in payables and other financial liabilities	**(29)**	(58)
Net movement of operating assets		
Investments	**5**	186
Cash generated from/(used in) operations	**500**	(1)

There were £nil cash and cash equivalents held at 31 December 2019 *(2018: £nil).*

11. Capital

In managing its capital, the Company seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- Maintain sufficient, but not excessive, financial strength to satisfy the requirements of its customers;
- Retain financial flexibility by maintaining liquidity; and
- Allocate capital efficiently and to repatriate excess capital where appropriate.

The Company manages total equity of £866,000 *(2018: £1,105,000)* as capital.

The Company is not subject to any externally imposed capital requirements.

The Company also complies with Group mandated Capital Management Risk Standards which include the setting of risk appetites which are designed to give some buffer against adverse events when compared with minimum solvency. These appetites define what action should be taken by management where the actual capital level is above or below the desired target level.

12. Risk management

(a) Risk management framework

The Company operates a risk management framework (RMF) that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report ("IMMMR") risks, including the use of risk models and stress and scenario testing.

For the purposes of risk identification and measurement, in UK Life risks are usually grouped by risk type: market, credit, life insurance, liquidity and operational risk. Risks falling within these types may affect a number of key metrics, including those relating to statement of financial position strength, liquidity and profit. They may also affect the performance of the products that the Company delivers to customers and the service to customers and distributors, which can be categorised as risks to our brand and reputation or as conduct risk.

To promote a consistent and rigorous approach to risk management across the business, the Company has a set of risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations. The Chief Executive Officer makes an annual declaration that the system of governance and internal controls was effective and fit for purpose for their business throughout the year; this declaration is supported by an opinion from the Chief Risk Officer.

A regular top-down key risk identification and assessment process is carried out by the risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. The Company also operates a risk and control self-assessment process. The risk assessment processes are used to generate risk reports which are shared with the relevant risk committees.

Risk models are an important tool in the measurement of risks and are used to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as equity returns, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged.

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels.

- Line management in the business is accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture.
- The risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework.
- Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis through its Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set relative to capital and liquidity. The Company's position against risk appetite is monitored and reported to the Board on a regular basis.

(b) Market risk

Market risk is the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices.

The Company is indirectly exposed to market risk as it has an interest in the underlying trust assets, and income receivable may be affected by the value of those underlying investments. Independent trustees are responsible for maintaining the trust assets in accordance with the trustee agreements. To reduce the risk that income receivable is not sufficient to recover the initial cost of the Company's investment, the Company has taken out life insurance policies for all life interest customers.

(c) Credit risk

Credit risk is the risk of adverse financial impact resulting from fluctuations in credit quality of third parties, including default, rating transition and credit spread movements. The Company's management of credit risk under the oversight of ALCO, includes the articulation of risk appetite, exposure limit frameworks and investment and lending criteria within credit risk policies and management agreements.

An assessment is carried out over all categories of financial asset to determine to what extent assets held can be considered to have low credit risk as at the reporting date. In making this assessment, the Company makes use of both internal and external credit risk ratings, along with other qualitative and quantitative factors where external ratings are not available. Where a financial asset is deemed to have low credit risk, it is assumed that the credit risk on the respective assets has not increased significantly since initial recognition.

A financial asset is considered to be in default where contractual payments are past due, or there is objective evidence that the counterparty will be unable to subsequently meet their payment obligations. A financial asset is written off only when all other available measures have been taken to recover amounts due.

Where external credit ratings are available for financial assets, a significant increase in the credit risk of a financial asset is identified where there has been a significant deterioration in the respective credit rating. All financial assets at the reporting date are unrated.

Expected credit losses on material trade receivables and other assets are calculated with reference to the Company's historical experience of losses, along with an analysis of payment terms. The Company makes use of the simplified approach when calculating expected credit losses on trade receivables which don't include a significant financing component, and therefore calculates expected credit losses over the lifetime of the instrument in question. Expected credit losses have been calculated where changes in circumstances indicate that the carrying amount of the investment may not be recoverable, should for example the value of the asset on which the loan is secured ever fall below the loan amount.

The following table sets out expected credit losses recognised in the year.

	Expected credit losses relating to investments recognised in year £'000
Opening expected credit losses	33
Recognised on instruments during the reporting year	3
Closing expected credit losses	**36**

The carrying amount of assets included in the statement of financial position represents the maximum credit exposure. Credit risk for all life interest and contingent reversion customers is mitigated by the life insurance policies referred to in section (b) above. This covers £630,000 of the total £701,000 investment balance.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be in a position to meet its liabilities as they fall due. The nature of the business means that the Company is not exposed to significant liquidity risk. ALCO seeks to determine that the Company has sufficient financial resources to meet its obligations as they fall due.

(e) Sensitivity analysis and capital management

No profit sensitivity analysis has been provided as there is a negligible impact on profit and shareholders' equity of reasonably possible changes in market risk variables.

13. Related party transactions

(a) The members of the Board of Directors are listed on page 1 of these financial statements. There are no amounts receivable from or payments due to members of the Board of Directors.

(b) Income from related parties

During the year the Company received interest of £3,000 from the parent undertaking *(2018: £1,000)*.

Amounts receivable at year end were £170,000 *(2018: £468,000)* due from the parent undertaking.

The related party receivables are not secured and no guarantees were received in respect thereof. No provision or expense has been recognised during the year in respect of bad and doubtful debts *(2018: £nil)*.

(c) Services provided by related parties

Under a management agreement UKLS supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable to UKLS in respect of these expenses, which were £40,000 *(2018: £52,000)*.

Amounts payable at year end were £40,000 *(2018: £86,000)* due to fellow group undertakings.

The related party payables are not secured and no guarantees were received in respect thereof.

(d) Key management compensation

No charge is disclosed by the Company for key management personnel as they are key management of a number of fellow subsidiary undertakings and it is not possible to make an accurate apportionment of their compensation in respect or each of the individual subsidiary undertakings.

(e) Ultimate parent undertaking and controlling party

The immediate parent undertaking is UKLAP, a company incorporated in England.

The ultimate parent undertaking and controlling party is Aviva plc, a company incorporated in England.

Aviva plc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Aviva plc are available at www.aviva.com or by application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London, EC3P 3DQ.

14. Subsequent events

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and cancellations of gatherings and events. The spread of COVID-19 has resulted in an economic downturn in the UK, as well as causing increased volatility and declines in financial markets. The spread of the virus is now slowing down and restrictions are beginning to lift but the risk of subsequent peaks means the adverse impact on the UK economy could be deepened and result in further declines in financial markets.

The company continues to maintain healthy liquidity and expects to meet its cash requirements. Since the onset of the pandemic the Company has remained operational, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and Group employees including frontline customer facing staff being supported to ensure that that we were there to support our customers when they need us most. As the situation is still evolving it is not practicable to quantify the potential impact of volatile financial markets on expected earnings or the Company at this stage.