HBOS Investment Fund Managers Limited

Report and Accounts

2019

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

C M Herd
S W Lowther
P R Grant
J C S Hillman
J E Sayers
J R A Bond*
S J O'Connor*
G E Schumacher*
G M Stewart**

* denotes Independent Non-Executive Director
** denotes Non-Executive Director

Company Secretary

D A Beaumont

Independent Auditors

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

Registered Office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Company Registration Number

00941082

STRATEGIC REPORT

The Directors present their Strategic Report on HBOS Investment Fund Managers Limited (the 'Company') for the year ended 31 December 2019.

The Company contributes to the results of the Insurance Division of Lloyds Banking Group (LBG).

Principal activities

The principal activity of the Company is that of an Authorised Corporate Director (ACD) of seven Open-Ended Investment Companies (OEICs) and a manager of an Individual Savings Account (ISA). Two of the seven OEICs were terminated in May 2016. Termination accounts as at 25 January 2019 were filed with the Financial Conduct Authority (FCA) on 13 March 2019 and de-authorisation from the FCA register will occur in early 2020. The Company's funds are not actively marketed but the Company continues to receive increments on existing business.

Results for the year

The result of the Company for the year ended 31 December 2019 is a profit before tax of £34.8m (2018: £60.7m). This includes a net £10.8m cost to the Company following the arbitration tribunal with Standard Life Aberdeen plc (SLA) regarding LBG's termination of a series of asset management contracts. A further £6.9m was incurred by the Company due to transaction costs arising from the transition of asset portfolios to new asset managers Blackrock and Schroders plc.

There was an £8.8m (8%) fall in revenue from annual management charges during the year which is largely driven by net outflows.

Total assets for the Company increased by £30.7m, reflecting the year's profit retained in cash equivalents.

The United Kingdom leaving the European Union

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

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

Key Performance Indicators

The Company is focused on ensuring it maximises capital efficiency and returns for its shareholder and the LBG Insurance Division. To support this, the Company is focused on the following financial key performance indicators (KPIs).

Funds Under Management

Funds under management (FUM) managed by the Company on behalf of customers was £18.9bn (2018: £17.8bn) at the balance sheet date. The net increase of £1.1bn is a result of £2.2bn market gains on underlying investments, offset by net customer outflows of £1.1bn. The average FUM balance over the year was £18.6bn (2018: £20.0bn).

Revenue from annual management charges (charged as a percentage of customer funds under management) was £102.6m (2018: £111.4m).

Capital Resources

The Directors believe that the Company currently has adequate capital resources, £246.9m (2018: £218.1m) and will continue to do so in the foreseeable future. Further information on the capital position of the Company is given in note 22 c) 4).

Liquidity

The Company regularly monitors its liquidity position, to ensure that, even under stressed conditions, the Company has sufficient liquidity to meet its obligations and remain within approved risk appetite.

Other Sources

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

STRATEGIC REPORT (CONTINUED)

The Directors consider that the above are the key performance indicators which are appropriate to the principal activity of the Company. These, together with other metrics which cover customer, operational measures and capital, are included in the balanced scorecard which is used to measure all aspects of the performance of the business. In addition, the Directors are of the opinion that the information contained in the Company's FCA returns on capital resources and requirements, in conjunction with the information presented in the financial statements as a whole, provide the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

Review of the business

Other areas that are worthy of note are described below:

New asset managers

In 2018, LBG terminated its partnership agreements with Aberdeen Asset Management plc, a subsidiary of SLA. In October 2018 LBG entered into new asset management agreements with BlackRock and Schroders plc. The Company incurred a net £10.8m cost following the arbitration tribunal with SLA regarding LBG's termination of a series of asset management contracts. A further £6.9m was incurred by the Company due to transaction costs arising from the transition of asset portfolios to new asset managers Blackrock and Schroders plc.

Changes to institutional fee arrangements

The funds under management include amounts invested by Group companies, primarily Scottish Widows Limited (SWL). The Company has reviewed its fee charging arrangements with SWL following the change of asset managers noted above, and the improved commercial terms available to the Company under these new investment management contracts.

The revised fee arrangements came into effect from 30 November 2019. Prior to this date the Company recharged SWL the investment management fees incurred in respect of the funds invested into by SWL, including a mark-up on those costs. The Company also absorbed some investment costs in relation to these investments and did not recharge them to SWL.

Under the new arrangements the Company will recharge SWL for all costs in relation to its investments, but without charging a mark-up.

The Company estimates that the revised arrangements for recharging to SWL would have reduced 2019 revenue by approximately £10.0m, had these arrangements been in place throughout 2019.

Asset Management Market Study

On 5 April 2018, the FCA issued a new Policy Statement (PS 18/8) – relating to the Asset Management Market Study (AMMS). This Policy is intended to strengthen the duty on Authorised Fund Managers (AFMs) to act in the best interests of investors. To meet the requirements of PS 18/8 the Company has appointed three Independent directors to its Board. The minimum requirement is two independent directors and for them to comprise at least 25% of total board membership.

There was a further requirement for fund managers to make an annual assessment of value for all funds and share classes in each Investment Company with Variable Capital (ICVC), as part of their duty to act in the best interests of the investors in their funds. To avoid duplication and for ease of communication, an annual statement will be published on what the Company has done, what has been found and what the Company is doing, in a combined statement across all of the sub-funds under each ICVC managed by HBOS Investment Fund Managers Limited. The Company intends to publish this separately on the Scottish Widows website in September 2020.

Child Trust Fund

On 17 January 2020 the Company entered into an agreement to sell the Company's Child Trust Fund (CTF) business. The sale is expected to complete in May 2020 and the Company will receive a consideration amounting to 2.3% of the value of CTF funds under management at the date of signing the agreement, adjusted to exclude the value of any CTF accounts that choose not to transfer with the sale and elect a new provider. This is estimated to be £17.6m based on CTF Funds under Management at 17 January 2020.

The CTF accounts comprised £0.8bn of the £18.9bn funds under management managed by the Company at 31 December 2019.

Outlook

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

Principal risks and uncertainties

During the year, the management of the business and the execution of the Company's strategy were subject to a number of risks, which were assessed using the Company's risk management framework. The key operational and conduct risks identified related to cyber & information security, delivering business & regulatory change effectively, application of conduct standards and maintaining a customer focussed and compliant investment proposition. The Company's risk register also recorded a number of additional risks. The risk

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties (continued)

management objectives and policies of the Company and the exposure to risks including market, credit, capital, liquidity, operational and conduct risks are set out in note 22.

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

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), 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 under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 9.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interest of customers and suppliers.

The Company is a subsidiary of LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

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

Customers

The Directors ensure the Company as part of LBG works toward achieving LBG's customer ambitions, to treat all customers fairly, and make it easy for customers to find, understand and access products that are right for them. To ensure Directors truly understand the needs of customers, every opportunity is taken to consider direct customer feedback and related management information, including as part of the Directors' strategic decision making process. The Directors have also worked to ensure the business of the Company is undertaken in line with the objectives of LBG's annually agreed customer plans. LBG regularly benchmarks amongst its customers the performance of itself and its subsidiaries, including the Company, and uses this insight along with a range of internal and external research to ensure ongoing improvement in customer experience. The Directors ensure the Company plays an active part in LBG's wider customer ambitions, as acknowledged in the Company's strategy, which during the course of the year has included the ongoing development of market leading digital propositions, more personalised customer propositions and better experience for customers across all channels. The Company is committed to the delivery of value to its customers and the undertaking of annual fund value assessments as part of the requirements of the FCA's policy statement on AMMS.

Shareholders

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

Communities and the environment

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

The Responsible Business Committee of the Board of LBG is responsible for overseeing LBG's approach, including that of the Company, to responding to environmental and sustainability issues, including measurement and reporting. Priorities during the year have included supporting the ongoing transition to a low carbon economy, and the development of related targets for LBG and its subsidiaries. LBG is working closely with the Government to support their Clean Growth Strategy, as well as supporting customers with a range of initiatives to help them with being more sustainable, including support in accessing 'green' finance. LBG's Sustainability team provides further coordination in the delivery and reporting of LBG's sustainability strategy, including mechanisms for keeping management and directors of LBG subsidiaries, including those of the Company, updated on environmental and sustainability issues impacting LBG. Further information in respect of the work of LBG's Responsible Business Committee is included within the Corporate Governance Report within the LBG Annual Report and Accounts for 2019, available on the LBG website.

STRATEGIC REPORT (CONTINUED)

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

Suppliers

The Company's approach to supplier management is part of that of LBG, which works with around 3,100 active suppliers of varying sizes, most in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communication. The supply chain is crucial to the way the Company and LBG serves its customers, and through it the reach is considerable.

In 2019 LBG's supplier expenditure was £5.9 billion, with 95.5 per cent of third party supplier spend being incorporated in the UK. Great importance is placed on having the right supplier framework to operate responsibly. LBG's Sourcing & Supply Chain Management Policy applies to all businesses, divisions, and subsidiaries of LBG, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. This Policy has been designed to assist in managing the risk that may occur as a result of outsourcing services, as well as the risks inherent in dealing with third party suppliers. Suppliers are required to adhere to relevant LBG policies and comply with LBG's Code of Supplier Responsibility. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and LBG to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Regulators

We have a good relationship with our regulators and other government authorities and liaise regularly as part of LBG's wider regulatory relationship management. Key areas of focus have included ensuring the fair treatment of customers, adapting to changes in regulatory requirements, and providing updates on the process of changing Investment Managers.

The Board has received regular updates on regulatory interaction, providing a view of key areas of focus, alongside progress made on delivering regulatory change. During 2019 LBG's colleagues had regular meetings with the regulators, representing the interests of the Company as required. We continue to engage with the regulators through proactive meetings to discuss various key themes such as achieving a customer centric culture. We continue to closely monitor the status of our regulatory relationship, enhancing proactive engagement across key regulatory changes and areas of focus. Looking ahead to 2020, we will continue to adapt our engagement strategy, ensuring alignment with emerging areas of focus and the regulators' business plans.

On behalf of the Board of Directors.

S W Lowther
Director
29 January 2020

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company. The Company is a limited liability company, domiciled and incorporated in the United Kingdom.

The Company is a wholly owned subsidiary of Halifax Financial Services (Holdings) Limited. The Company's ultimate parent company and ultimate controlling party is LBG.

Results and dividend

The result of the Company for the year ended 31 December 2019 is a profit before tax of £34.8m (2018: £60.7m). This includes a net £10.8m cost to the Company following the arbitration tribunal with SLA regarding LBG's termination of a series of asset management contracts. A further £6.9m was incurred by the Company due to transaction costs arising from the transition of asset portfolios to new asset managers Blackrock and Schroders plc.

There was an £8.8m (8%) fall in revenue from annual management charges during the year which is largely driven by net outflows.

Total assets for the Company increased by £30.7m, reflecting the year's profit retained in cash equivalents.

The Directors consider the result for the year to be satisfactory in light of these factors. Further information can be found in the Strategic Report.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: £nil).

Directors

The names of the current Directors are listed on page 3. Changes in directorships during the year and since the end of the year are as follows:

J C S Hillman	(appointed 19 August 2019)
P R Grant	(appointed 29 August 2019)
J R A Bond*	(appointed 01 September 2019)
G E Schumacher*	(appointed 01 September 2019)
S J O'Connor*	(appointed 30 September 2019)
J E Sayers	(appointed 09 December 2019)
G M Stewart	(resigned 31 December 2019)
G M Stewart**	(reappointed 13 January 2020)

* denotes Independent Non-Executive Director
** denotes Non-Executive Director

Particulars of the Directors' emoluments are set out in note 23.

Directors' indemnities

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

The Deed for existing Directors is available for inspection at the registered office of LBG. In addition, LBG has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

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
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Future developments

Details of future developments are provided in the Company Strategic Report.

DIRECTORS' REPORT (CONTINUED)

Financial risk management

Disclosures relating to financial risk management are included in note 22 of the notes to the Financial Statements and are therefore incorporated into this report by reference.

Engagement with suppliers, customers and others

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 these 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.

Each of the Directors whose names are listed on page 3 confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report on pages 4 to 7, and the Directors' Report on pages 8 to 9, include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors

S W Lowther
Director
29 January 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HBOS INVESTMENT FUND MANAGERS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, HBOS Investment Fund Managers 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 Report and Accounts (the Annual Report), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HBOS INVESTMENT FUND MANAGERS LIMITED (CONTINUED)

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Neil Riches

Neil Riches (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
29 January 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Revenue	3	108,254	117,999
Distribution and selling costs	4	(2,312)	(2,583)
Gross profit		105,942	115,416
Investment income	5	1,953	1,325
Net (losses)/gains on financial assets at fair value through profit or loss	6	(329)	215
Administrative expenses	7	(72,652)	(56,133)
Finance costs	9	(76)	(125)
Profit before tax		34,838	60,698
Taxation charge	10	(6,620)	(11,535)
Profit and total comprehensive income for the year		28,218	49,163

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

The notes set out on pages 16 to 35 are an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	31 December 2019 £000	31 December 2018 £000
ASSETS			
Deferred origination costs	11	1,345	1,883
Deferred tax assets	12	121	138
Financial assets:			
Financial assets at fair value through profit or loss	13	3,187	2,621
Derivative financial instruments	14	-	19
Trade and other receivables	15	40,650	43,539
Cash and cash equivalents	16	250,034	216,429
Total assets		295,337	264,629
EQUITY AND LIABILITIES			
Capital and Reserves attributable to Company's equity shareholder			
Share capital	17	8,000	8,000
Retained profits		240,329	212,111
Total equity		248,329	220,111
Liabilities			
Current tax liabilities	18	6,603	11,516
Provisions for other liabilities and charges	19	1,560	335
Financial liabilities:			
Trade and other payables	20	38,816	32,667
Derivative financial instruments	14	29	-
Total liabilities		47,008	44,518
Total equity and liabilities		295,337	264,629

The notes set out on pages 16 to 35 are an integral part of these Financial Statements.

The Financial Statements on pages 12 to 35 were approved by the Board on 29 January 2020 and signed on its behalf.

S W Lowther
Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit before tax		34,838	60,698
Net movement in operating assets and liabilities	21	9,745	(6,377)
Decrease in deferred origination costs	11	538	538
Taxation paid		(11,516)	(12,892)
Net cash flows generated from operating activities		33,605	41,967
Net increase in cash and cash equivalents		33,605	41,967
Cash and cash equivalents at the beginning of the year		216,429	174,462
Net cash and cash equivalents at the end of the year	16	250,034	216,429

The notes set out on pages 16 to 35 are an integral part of these Financial Statements.

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

	Share capital £000	Retained profits £000	Total equity £000
Balance as at 1 January 2018	8,000	162,948	170,948
Profit and total comprehensive income for the year	-	49,163	49,163
Balance as at 31 December 2018 and 1 January 2019	8,000	212,111	220,111
Profit and total comprehensive income for the year	-	28,218	28,218
Balance as at 31 December 2019	8,000	240,329	248,329

Not all of the above amounts can be distributed to the equity holder since the Company is required to meet regulatory capital requirements. Further details are given in note 22 c) 4).

The notes set out on pages 16 to 35 are an integral part of these Financial Statements.

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

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

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

(2) in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs; and

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

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

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

Standards and interpretations effective in 2019

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2019 which have had a material impact on the Company.

(b) Revenue recognition

Revenue

Revenue, which arose wholly in the United Kingdom, represents the following:

- Net fee income from the sale of shares in OEIC sub funds and other similar fees;
- Net fee remuneration from the management of shares in OEIC sub funds; and
- Other income, which includes registration fees and other similar fees.

The fees are recognised as revenue in the statement of comprehensive income in the year as the services are being provided.

Net gains and losses on assets and liabilities at fair value through profit or loss

Net gains and losses on assets and liabilities at fair value through profit or loss includes both realised and unrealised gains and losses. Movements are recognised in the statement of comprehensive income in the period in which they arise.

Investment income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

(c) *Expense recognition*

Distribution and selling costs

Distribution and selling costs consist of commission paid on the retention of existing business. Where certain criteria are met, commission and other acquisition costs may be deferred. The circumstances under which such costs are deferred are set out at policy (d).

Administrative expenses

These consist of recharges from group companies and fund management fees that are recognised in the statement of comprehensive income as they accrue.

Finance costs

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

(d) Deferred origination costs

The costs of commission paid to acquire new business incurred during a financial year but which relate to subsequent financial years are deferred to the extent that they are recoverable out of future revenue margins. This asset is subsequently amortised over the remaining contractual lifetime of each holding on a straight-line basis. The amortisation charge for the year is recognised through the statement of comprehensive income, within distribution and selling costs. The carrying value of the asset is tested for impairment at each reporting date. Deferred origination costs are split between current and non-current. Current deferred costs run off within the next 12 months and non-current in more than 12 months. The deferred origination costs have a finite life and run off over varying periods based on the expectation of various products. Further information on the Company's impairment policy is set out at policy (i).

(e) *Financial assets and financial liabilities*

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

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

The Company initially recognises 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

(f) Fair value methodology

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed are categorised into a "fair value hierarchy" as follows:

(i) Level 1

Valued using quoted prices (unadjusted) in active markets for identical assets and liabilities to those being valued. An active market is one in which arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Level 2

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar (but not identical) instruments in active markets;
- Quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers;
- Inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates); and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

(iii) Level 3

Valued using inputs for the asset or liability that include significant unobservable inputs (inputs not based on observable market data). Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability.

Transfers between different levels of the fair value hierarchy are deemed to have occurred at the next reporting date after the change in circumstances that caused the transfer.

Further analysis of the Company's instruments held at fair value is set out at note 22.

(g) Trade and other receivables

Trade and other receivables at amortised cost are financial assets, other than cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest, a basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

Trade and other receivables at amortised cost are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment. Further information on the Company's impairment policy is set out at policy (i).

(h) Cash and cash equivalents

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

(i) Impairment

Financial assets

The impairment charge in the statement of comprehensive income includes the change in expected credit losses for financial assets held at amortised cost. 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.

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

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective, such as external bank accounts.

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

Non-financial assets

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

(j) Taxation, including deferred income taxes (continued)

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.

(k) Share capital

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

Dividends payable

Dividends payable on ordinary shares are recognised in equity in the year in which they are approved.

(l) Trade and other payables

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

(m) Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that the obligation will result in an outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of possible obligations arising is remote.

(n) Derivative financial instruments

All derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Changes in the fair value of derivatives are recognised in the statement of comprehensive income, through net gains and losses on assets and liabilities at fair value through profit or loss.

(o) Financial assets at fair value through profit or loss

Classification

Financial asset investment balances comprise the manager's box holdings in OEIC funds and investments held through liquidity funds.

Recognition

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty. Investments are initially recognised at cost, being the fair value of the consideration given, and are subsequently re-measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

(o) Financial assets at fair value through profit or loss (continued)

Measurement

The fair values of investments are based on a combination of current bid, mid or offer prices. If the market for a financial asset is not active, fair value is established by using valuation techniques. These include the use of similar arm's length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For equity investments that are quoted and actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the final pricing point on the reporting date. Prices are provided by vendors such as Reuters or Bloomberg or by direct reference to the Stock Exchange.

The fair value of holdings in collective investment vehicles (including OEICs and Unit Trusts) is determined as the last published price applicable to the vehicle at the reporting date.

2. Critical accounting estimates and judgements in applying accounting policies

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

(a) Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Deferred origination costs

Origination costs in respect of the contracts managed by the Company, which are incurred during the financial period but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. The calculation of the deferred origination cost asset and its pattern of amortisation requires estimation of both the expected pattern of receipt of future revenue margins and the period of time that the business is expected to remain in force. Estimation is required of the period that the business is expected to remain in force. Further information on this asset is given in notes 1(d) and 11.

(b) Judgements

The Company's management considers that the following judgement has the most significant effect on the amounts recognised in the financial statements:

Deferred origination costs

As above, costs incurred during the financial period but which relate to subsequent financial periods are deferred to the extent that they are recoverable out of future revenue margins. These costs relate to an indeterminate number of acts over the estimated lives of the individual contracts and, the Company applies judgement in determining whether deferral is appropriate. Further information on this liability is given in notes 1(d) and 11.

3. Revenue

	2019 £000	2018 £000
Annual management charges	102,562	111,402
Exit fees	3,811	5,225
Income from unit dealing	354	(264)
Other income	1,527	1,636
Total	**108,254**	**117,999**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

4. Distribution and selling costs

	2019 £000	2018 £000
Commissions payable and other selling costs	1,773	2,045
Change in deferred origination costs	538	538
Stamp duty	1	-
Total	2,312	2,583

5. Investment income

	2019 £000	2018 £000
Interest and dividend income on financial assets at fair value through profit or loss	1,953	1,325
Total	1,953	1,325

6. Net (losses)/gains on financial assets at fair value through profit or loss

	2019 £000	2018 £000
Net (losses)/gains on financial assets at fair value through profit or loss	(329)	215
Total	(329)	215

Included in the net (losses)/gains on financial assets at fair value through profit or loss are movements on OEIC holdings.

7. Administrative expenses

	2019 £000	2018 £000
Recharges from other group companies	34,845	30,232
Investment expenses	18,013	23,376
Custodian fees	498	471
Trustee fees	21	801
Other fees (including provisions for the year)	19,275	1,253
Total	72,652	56,133

Administrative expenses relate to the costs incurred in the administration and investment management of ISAs and OEIC shares.

In 2019 a provision for £6.9m was recognised in relation to transaction costs arising from the transition of asset portfolios to the new asset managers, BlackRock and Schroders plc. A £10.8m cost was incurred as a result of the Standard Life Aberdeen (SLA) arbitration tribunal. These expenses are included in Other fees in 2019.

The Company had no direct employees during the year (2018: nil). The employee costs, including pension costs, are included in the recharge from other group companies noted above.

8. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	20	19
Fees payable to the Company's auditors and its associates for other services:		
Audit-related assurance services	99	101
Total	119	120

Audit fees for 2018 and 2019 were borne by another LBG entity and recharged to the Company.

9. Finance costs

	2019 £000	2018 £000
Finance costs	76	125
Total	76	125

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

10. Taxation charge

(a) *Analysis of charge for the year*

	2019 £000	2018 £000
Current tax:		
UK corporation tax	*6,603*	*11,516*
Current tax charge	6,603	11,516
UK deferred tax:		
- Origination and reversal of timing differences	*17*	*17*
- Adjustments in respect of prior years	-	2
Deferred tax charge	-	19
Tax charge	6,620	11,535

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

(b) Reconciliation of tax charge

	2019 £000	2018 £000
Profit before tax	34,838	60,698
Tax at 19.00% (2018: 19.00%)	6,620	11,533
Effects of:		
Adjustments in respect of prior years	-	2
Total	6,620	11,535

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

11. Deferred origination costs

	2019 £000	2018 £000
At 1 January	1,883	2,421
Amortisation during the year	(538)	(538)
At 31 December	1,345	1,883

Of the above total, £0.8m (2018: £1.3m) is expected to be recovered more than one year after the reporting date.

12. Deferred tax assets

The movement in the Deferred Tax Asset is as follows:

	2019 £000	2018 £000
Brought forward	138	-
Charge for the year	(17)	(17)
Adjustments in respect of prior years	-	(2)
Amount charged to equity:		
- Other	-	157
Total	121	138

The deferred tax charge in the year comprises the following temporary differences:

	2019 £000	2018 £000
Other temporary differences	(17)	(19)
Total	(17)	(19)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. Deferred tax assets (continued)

Deferred Tax Asset comprises:

	2019 £000	2018 £000
Other temporary differences	121	138
Total	**121**	**138**

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

13. Financial assets at fair value through profit or loss

	2019 £000	2018 £000
OEIC holdings	3,187	2,621
Total	**3,187**	**2,621**

OEIC holdings comprise shares held in the OEIC funds that are managed by the Company which are classified at fair value through profit or loss as part of the manager's daily box holdings. Purchases and sales are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty.

Interests in unconsolidated structured entities

Included within financial assets at fair value through profit or loss £3.2m (2018: £2.6m) and cash and cash equivalents £246.2m (2018: £201.1m) in note 16 are investments in unconsolidated structured entities of £249.4m (2018: £203.7m) arising from investments in collective investment vehicles.

The investments are carried at fair value and the Company's maximum exposure to loss is equal to the carrying value of the investment. At 31 December 2019, the total net assets of unconsolidated collective investment vehicles in which the Company held a beneficial interest was £48.4bn (2018: £45.3bn). During the year the Company has not provided any non-contractual financial or other support to these unconsolidated collective investment vehicles.

The Company sponsors a range of collective investment vehicles where it acts as the decision maker over the investment activities and markets the funds under one of LBG's brands. The Company earns fees from managing the investments of these funds. The investment management fees that the Company earned from these sponsored unconsolidated collective investment vehicles, including those in which the Company held no interest at 31 December 2019, was £102.6m (2018: £111.4m).

14. Derivative financial instruments

The Company's derivative financial instruments are recognised at fair value. Futures are bought to offset the risk of unforeseen losses in operating the OEIC holdings (see note 13).

	2019 £000	2018 £000
Derivative assets	-	19
Total derivative assets	-	**19**
Derivative liabilities	(29)	-
Total derivative liabilities	**(29)**	-

The contract amount of the derivatives is £3.7m (2018: £2.0m). The carrying amount disclosed reflects the fair values at the year end, and relates to derivative contracts maturing within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

15. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	37,154	38,357
Amounts due from group undertakings (see note 23)	2,742	4,505
Other receivables	754	677
Total	**40,650**	**43,539**

None of the above balances are interest-bearing (2018: none).

Further information in respect of credit risk in relation to trade and other receivables is given in note 22.

Of the above total, £nil (2018: £nil) is expected to be settled more than one year after the reporting date.

16. Cash and cash equivalents

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

	2019 £000	2018 £000
Cash at bank	3,830	15,358
Investments held through liquidity funds	246,204	201,071
Total	**250,034**	**216,429**

Cash and cash equivalents does not include client monies held on deposit of £16.1m (2018: £25.3m). These amounts are similarly excluded from current liabilities.

Investments held through liquidity funds are used to optimise returns on excess funds held by the Company. Further information in respect of credit risk in relation to cash and cash equivalents is given in note 22.

17. Share capital

	2019 £000	2018 £000
Authorised, allotted, called up and fully paid share capital:		
8,000,000 (2018: 8,000,000) ordinary "A" shares of £1 each	8,000	8,000
	8,000	**8,000**

There were no changes in share capital during the year. All shares rank equally with regard to the Company's residual assets.

18. Current tax liabilities

	2019 £000	2018 £000
Current tax liabilities	6,603	11,516
Total tax liabilities	**6,603**	**11,516**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

19. Provisions for other liabilities and charges

	2019 £000	2018 £000
At 1 January	335	390
Amounts provided for during the year	6,900	-
Amounts utilised during the year	(5,675)	(55)
At 31 December	1,560	335

Of the above total, £nil (2018: £nil) is expected to be settled more than one year after the reporting date.

Provisions for customer remediation costs were fully utilised in the year, with the outstanding provision relating to third party asset management transaction costs, noted in the Company Strategic Report.

20. Trade and other payables

	2019 £000	2018 £000
Trade payables	27,918	28,215
Amounts due to group undertakings (see note 23)	5,542	3,035
Other payables	5,356	1,417
Total	38,816	32,667

None of the above balances are interest-bearing or secured (2018: none). Further information in respect of liquidity risk in relation to trade and other payables is given in note 22.

21. Net movement in operating assets and liabilities

	2019 £000	2018 £000
Net decrease/(increase) in operating assets:		
Financial assets at fair value through profit or loss	(566)	480
Trade and other receivables	2,889	16,828
Derivative financial instruments	19	(19)
Net decrease in operating assets	2,342	17,289
Net increase/(decrease) in operating liabilities:		
Trade and other payables and provisions	7,374	(23,590)
Derivative financial instruments	29	(76)
Net increase/(decrease) in operating liabilities	7,403	(23,666)
Net movement in operating assets and liabilities	9,745	(6,377)

22. Risk Management

The principal activity of the Company is that of an Authorised Corporate Director of seven Open-Ended Investment Companies (OEICs) and a manager of an Individual Savings Account (ISA). Two of the seven OEICs were terminated in May 2016. Termination accounts as at 25 January 2019 were filed with the FCA on 13 March 2019 and de-authorisation from the FCA register will occur in early 2020. The Company's funds are not actively marketed but the Company continues to receive increments on existing business.

This note summarises the risks associated with the Company's business and the way in which the Company managed them during the year.

(a) Governance framework

The Company is part of LBG, which has established a risk management function with responsibility for implementing the LBG risk management framework within the Company.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(a) Governance framework (continued)

Responsibility for setting and managing risk appetite and the management of risk resides with the Board of the Company. The Board manages risks in line with LBG and Insurance Division risk policies. The operational implementation of risk appetite statements is assigned to Insurance Executive committees, in particular Insurance and Wealth Risk Committee (IWRC) and Insurance and Wealth Asset Liability Committee (IWALCO).

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

Policy owners, identified from appropriate areas of LBG and the Insurance Division, are responsible for drafting risk policies, for ensuring that they remain up-to-date and for facilitating any changes. Policies are subject to at least an annual review. Limits are prescribed within which those responsible for the day to day management of each company within the Insurance Division can take decisions. Line management are required to follow prescribed reporting procedures to the bodies responsible for monitoring compliance with policy and controlling the risks. There is a specific policy for Risk Management within the ACD companies, which is reviewed annually and reported against regularly to the Board.

(b) Risk appetite

Risk appetite is the amount and type of risk that the Insurance and Company Boards are prepared to seek, accept or tolerate and is fully aligned to Insurance and LBG strategy. The Insurance Board has defined a framework for the management of risk and approved a set of risk appetite statements that cover financial risks (capital, insurance underwriting, credit, market and liquidity), operational risks, people risks, conduct risks, regulatory & legal risks, model and governance risks. The risk appetite statements set limits for exposures to the key risks faced by the business.

Risk appetite is approved by the Company Board at least annually with experience against it tracked monthly and reported to the Board quarterly.

(c) Financial risks

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

The market risks that the Company primarily faces due to the nature of its financial assets and financial liabilities are interest rate and equity risk.

The Company manages these risks in a numbers of ways, including risk appetite assessment and monitoring of capital resource requirements. The Company also uses derivatives as part of its business activities to reduce its own exposure to market risk and credit risk.

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

The timing of the unwind of the deferred tax assets and liabilities is dependent on the timing of the unwind of the temporary timing differences, arising between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes, to which these balances relate.

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

1) Market risk

Market risk is defined as the risk that unfavourable market moves (including changes in and increased volatility of interest rates, market-implied inflation rates, credit spreads and prices for bonds, foreign exchange rates, equity, property and commodity prices and other instruments) lead to reductions in earnings and/or value.

Market risk is managed in line with the LBG Market Risk Policy which sets out the principles of the market risk control framework.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(c) Financial risks (continued)

1) Market risk (continued)

Investment holdings within the Company have been diversified across markets and, within markets, across sectors. Holdings of individual assets are diversified to minimise specific risk and large individual exposures are monitored closely. Diversification is achieved by investing in a diversified portfolio of assets, which are managed according to their respective investment strategy.

Below is an analysis of financial assets and financial liabilities at fair value through profit or loss for which a fair value is required to be disclosed, according to their fair value hierarchy (as defined in note 1 (f)):

As at 31 December 2019

	Fair value hierarchy Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss	3,187	-	-	3,187
Derivative financial assets	-	-	-	-
Cash and cash equivalents	250,034	-	-	250,034
Total assets	**253,221**	-	-	**253,221**
Derivative financial liabilities	29	-	-	29
Total liabilities	**29**	-	-	**29**

As at 31 December 2018

	Fair value hierarchy Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit or loss	2,621	-	-	2,621
Derivative financial assets	19	-	-	19
Cash and cash equivalents	216,429	-	-	216,429
Total assets	**219,069**	-	-	**219,069**
Derivative financial liabilities	-	-	-	-
Total liabilities	-	-	-	-

In addition to market risk on directly held assets and liabilities the Company has an exposure to indirect market risk. This arises from the fact that the annual management charges collected and associated costs for the management of the funds fluctuate with the market movements impacting the value of customer funds. For example if the underlying market value of customer funds fell by 10%, AMCs are estimated to fall by £6.9m (2018: £6.8m) based on year end values. These are classified as indirect market risks.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. The sensitivity analysis below illustrates how the fair value of future cash flows in respect of interest-bearing financial assets held by customers, net of offsetting movements in investment contract liabilities, will fluctuate because of changes in market interest rates at the reporting date.

	Impact on profit before tax for the year 2019 £000	2018 £000
25 basis points (2018: 25 basis points) increase in yield curves	(575)	(473)
25 basis points (2018: 25 basis points) decrease in yield curves	575	473

(ii) Equity risk

The Directors do not believe that the Company has a large exposure to direct equity risk, given the small amount of equity directly held in other OEIC holdings is mitigated by forward contracts. As such equity risk is not considered material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(c) Financial risks (continued)

2) Credit risk

The risk that parties with whom we have contracted, fail to meet their financial obligations (both on and off balance sheet).

Credit risk is managed in line with the Insurance Credit Risk Policy and the wider LBG Credit Risk Policy which set out the principles of the credit control framework.

Credit risk to the Company arises primarily from exposure to trade debtors and financial assets at fair value through profit or loss. Exposure to trade debtors is assessed on a case by case basis, using a credit rating agency where appropriate.

Expected credit losses are calculated using three key input parameters: the probability of default (PD) (except for lifetime expected credit losses), the loss given default (LGD) and the exposure at default (EAD). The probability of default and expected loss given default are determined using internally generated credit ratings.

Expected credit losses are measured on a collective basis for certain groups of financial assets, such as trade receivables due from external parties which are considered to be homogenous in terms of their risk of default.

The following table sets out details of the credit quality of financial assets that are neither past due nor impaired:

	2019 £000	2018 £000
Trade and other receivables	40,650	43,539
Cash and cash equivalents	250,034	216,429
Total assets bearing credit risk	**290,684**	**259,968**

The tables below analyse financial assets subject to credit risk using Standard & Poor's rating or equivalent:

As at 31 December 2019

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
Stage 1 assets						
Trade and other receivables	41,670	-	-	2,754	-	38,916
Cash and cash equivalents	3,830	-	-	3,830	-	-
Loss allowance	(1,020)	-	-	(12)	-	(1,008)
Exposure to credit risk	**44,480**	-	-	**6,572**	-	**37,908**
Assets at fair value through profit and loss						
Cash and cash equivalents	246,204	246,204	-	-	-	-
Total	**290,684**	**246,204**	-	**6,572**	-	**37,908**

As at 31 December 2018

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
Stage 1 assets						
Trade and other receivables	44,461	-	-	4,505	-	39,956
Cash and cash equivalents	15,358	-	-	15,358	-	-
Loss allowance	(922)	-	-	(2)	-	(920)
Exposure to credit risk	**58,897**	-	-	**19,861**	-	**39,036**
Assets at fair value through profit and loss						
Cash and cash equivalents	201,071	201,071	-	-	-	-
Total	**259,968**	**201,071**	-	**19,861**	-	**39,036**

Amounts classified as "not rated" in the above tables are not rated by Standard and Poor or an equivalent rating agency.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(c) Financial risks (continued)

2) Credit risk (continued)

Exposure to credit risk is concentrated across counterparties as follows:

	2019 Total £000	2018 Total £000
Trade and other receivables:		
Amounts due from brokers	10,320	12,515
Amounts due from group undertakings	2,742	4,505
Other receivables	27,588	26,519
Cash and cash equivalents		
Amounts due from group undertakings	3,830	15,358
Other cash and cash equivalents	246,204	201,071
Total	290,684	259,968

3) Liquidity risk

Liquidity risk is defined as the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider LBG Funding and Liquidity Policy.

The following tables indicate the timing of the contractual cash flows arising from the Company's financial liabilities:

As at 31 December 2019

Liabilities			Contractual cash flows (undiscounted)				
	Carrying amount £000	No stated maturity £000	Less than 1 month £000	1-3 Months £000	3-12 months £000	1-5 years £000	More than 5 years £000
Derivative financial instruments	29	-	-	29	-	-	-
Trade and other payables	38,816	-	38,816	-	-	-	-
Total	38,845	-	38,816	29	-	-	-

As at 31 December 2018

Liabilities			Contractual cash flows (undiscounted)				
	Carrying amount £000	No stated maturity £000	Less than 1 month £000	1-3 Months £000	3-12 months £000	1-5 years £000	More than 5 years £000
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other payables	32,667	-	32,667	-	-	-	-
Total	32,667	-	32,667	-	-	-	-

The contractual cash flow analysis set out above has been based on the earliest possible contractual date, regardless of the surrender penalties that might apply and has not been adjusted to take account of such penalties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(c) Financial risks (continued)

4) Capital risk

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

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

The business of the Company is regulated by the FCA. The FCA specifies the minimum amount of capital that must be held by the Company in addition to its liabilities.

Within the Insurance Division, capital risk is actively monitored by IWALCO.

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

Capital risk is managed in line with the LBG Capital Risk Policy which sets out the principles of the capital risk control framework.

The Company's objectives when managing capital are:

- to have sufficient further capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- to comply with the regulatory capital requirements set out by the FCA in the UK; and
- when capital is needed, to require an adequate return to the shareholder by pricing contracts according to the level of risk associated with the business written.

The Company's capital comprises all components of equity, movements in which are set out in the statement of changes in equity.

The table below sets out the regulatory capital and the required capital held at 31 December in each year. The current year information is, in general, an estimate that will be updated once the FCA returns for the year are finalised.

	2019 £000	2018 £000
Regulatory capital held	246,863	218,090
Regulatory capital required	19,972	17,000

All minimum regulatory requirements were met during the year.

(d) Non-Financial Risks

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

Identification

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

Measurement

- Evaluate risk exposure vs appetite
- Modelling and stress testing
- Actual vs expected losses
- Scenario analysis

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(d) Non-Financial risks (continued)

Management

- Identify and operate controls
- Perform day-to-day control activities
- Ensure appropriate segregation of duties
- Control assessment and estimation of residual risk
- Controls testing activities including Sarbanes-Oxley
- Effectiveness reviews

Monitoring

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

Reporting

- Material Events escalation, including related actions

The primary non-financial risk categories are:

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22. Risk Management (continued)

(d) Non-Financial risks (continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

23. Related party transactions

a) Ultimate parent and shareholding

The Company's immediate parent undertaking is Halifax Financial Services (Holdings) Limited, a company registered in the United Kingdom. Halifax Financial Services (Holdings) Limited has taken advantage of the provisions of the Companies Act 2006 and has not produced consolidated Financial Statements.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these Financial Statements. Once approved, copies of the consolidated Annual Report and Financial Statements of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com

b) Transactions and balances with related parties

The Company acts as an Authorised Corporate Director for 19 authorised OEIC sub-funds (2018: 19).

Transactions and balances in respect of these funds are as follows:

	2019 £000	2018 £000
OEIC sub funds		
Aggregate total transactions for the year:		
Creations	969,925	785,527
Cancellations	2,026,712	2,062,252
Aggregate amounts due to trustees and depositary:		
Accrued at year end	1,577	1,224
Amounts received by the Company:		
Gross annual investment management fees	102,562	111,402
Amounts receivable at year end:		
Investment management fees	7,433	7,317
Managers' box		
Managers' box held at year end:	3,187	2,621

Transactions between the Company and other LBG companies

The Company has entered into transactions with other related parties in the normal course of business during the year and holds the following balances with other related parties at the end of the year:

2019	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Relationship				
Parent	-	-	-	-
Other related parties	18,008	43,057	5,542	2,742

2018	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Relationship				
Parent	-	-	-	-
Other related parties	-	32,278	3,035	4,505

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

Transactions between the Company and key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are the Directors.

The Executive Directors consider that they receive no remuneration for their services to the Company. The Non-Executive Directors received short-term employee benefits and remuneration in respect of qualifying services since totalling £6.4k (2018 – £nil). None of the Non-Executive Directors are entitled to receive share options, retirement benefits or amounts under long-term incentive schemes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

24. Contingent liabilities and capital commitments

Outsourcing of long-standing customer administration platform

The outsourcing contract signed with Diligenta on 25 September 2017 provides for certain future payments which are contingent on contractual milestones being achieved. £5.1m relating to the share of these future payments may be expensed to the Company as incurred in future periods.

25. Future accounting developments

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

26. Events after the reporting date

On 17 January 2020 the Company entered into an agreement to sell the Company's Child Trust Fund (CTF) business. The sale is expected to complete in May 2020 and the Company will receive a consideration amounting to 2.3% of the value of CTF funds under management at the date of signing the agreement, adjusted to exclude the value of any CTF accounts that choose not to transfer with the sale and elect a new provider. This is estimated to be £17.6m based on CTF Funds under Management at 17 January 2020.

The CTF accounts comprised £0.8bn of the £18.9bn funds under management managed by the Company at 31 December 2019.