LBG Equity Investments Limited

Annual report and financial statements
for the year ended 31 December 2019

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

02412574

Directors

S A Byron
W L D Chalmers
A T Rougier

Company Secretary

P Gittins

Strategic report
For the year ended 31 December 2019

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

Principle activity and future developments

The Company operates as an investment holding company and there has been no change in that activity during the year. The company remains committed to the business of holding investments and will continue to manage existing investments in the future.

Business review

The principal activity of the the Company is that of a holding company.

The results of the Company show a profit before tax of £438,935,000 for the year ended 31 December 2019 (2018: £269,847,000 profit) as it continues to help deliver the next stage of the Lloyds Banking Group plc ("LBG") strategy.

The Company's actions are governed by the Codes of Business Responsibility of the ultimate parent undertaking, LBG, which set out clear guidelines for responsible behaviour across the business, including human rights, social, ethical and environmental responsibilities. These guidelines can be viewed in the consolidated annual report and financial statements of LBG.

The Company has no employees (2018: none) and therefore the Directors have not commented on employee matters.

Section 172(1) statement and statement of engagement with stakeholders

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide the following statement describing how they have had regard to the matters set out in section172(1) of the Act, when performing their duty to promote the success of the Company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on page 3.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of 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.

Shareholders

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

Communities and the environment

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

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

Strategic report (continued)
For the year ended 31 December 2019

Section 172(1) statement and statement of engagement with 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 Company and LBG seek to improve the experience of suppliers, with feedback regularly sought on related assurance processes to ensure continual improvement in the process. Suppliers are also encouraged to express their satisfaction or otherwise, and have access to LBG and the Company's whistleblowing service.

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 24 to the financial statements.

In the context of operational resilience, the Company is assessing the risks associated with the current global health issue Covid-19 and continues to analyse the impacts. However, it is difficult at this stage to quantify risks and the degree to which they might crystallise. In addition, Covid-19 could have an adverse impact across risks including our operational risk, funding and liquidity.

Key performance indicators ("KPIs")

The directors monitor the performance of the Company by reference to KPIs as listed below:

KPI	Movement	Analysis
Dividend income	Increased by £32,796,000 (2019: £356,234,000, 2018: £323,438,000)	*This movement is mostly due to an increase in dividends received from Lloyds Development Capital of £100,000,000, offset by a reduction in dividends received from Uberior Investments Limited of £72,590,000.*
Investment valuation (FVTPL and FVOCI Assets)	Increased by £333,763,000 (2019: £618,293,000, 2018: £284,530,000)	*This movement includes acquisitions of new investments of £219,074,000 (FVOCI £206,324,000; FVTPL Debt Securities £12,750,000) and positive fair value movements of £125,395,000 (FVOCI £668,000; FVTPL £124,727,000 including foreign exchange movement).*
Amounts due from group undertakings	Increased by £337,217,000 (2019: £1,787,642,000, 2018: £1,450,425,000)	*The majority of the increase is due to the provision of additional funding of £341,418,000 to Llloyds Development Capital.This has been offset by a decrease in funding provided to Uberior Investments Limited of £5,106,000.*
Amounts due to group undertakings	Increased by £773,354,000 (2019: £3,163,925,000, 2018: £2,390,571,000)	*Borrowed funds have increased to allow the purchase of the new assets and to continue to meet the funding requirements of the underlying subsidiaries as mentioned above.*

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

A T Rougier
Director

28th September 2020

Directors' report
For the year ended 31 December 2019

The directors present their report and the audited financial statements of LBG Equity Investments Limited Limited ("the Company") for the year ended 31 December 2019.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 02412574).

The Company operates as an investment holding company and there has been no change in that activity during the year. The Company remains committed to the business of holding investments and will continue to manage existing investments in the future.

The Company is funded entirely by other companies within the Lloyds Banking Group plc ("LBG").

Dividends

A dividend of £550,000,000, representing a dividend of £1.83 per share, was declared and paid during the year (2018: £nil).

Going concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £453,047,000 (2018: £572,596,000).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers LBG Equity Investments Limited and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Since the balance sheet date there has been a global pandemic from the outbreak of Covid-19 which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the Directors are only able to give an estimate of its financial effect. The estimated effect, to the date these accounts were signed, would be a reduction in investment values of circa £60m-£120m.

Directors

The current directors of the Company are shown on the front cover.

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and financial statements:

M G Culmer	(resigned 1 August 2019)
W L D Chalmers	(appointed 2 August 2019)
S A Byron	(appointed 8 February 2019)

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 directors who join 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 have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of LBG. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Disclosure of information to auditors

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

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

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

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

A T Rougier
Director

28 September 2020

Income statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Income from investments	3	**356,234**	323,438
Changes in fair value of investments	4	**124,727**	(27,935)
Finance income	5	**43,244**	2,480
Other income	6	**2,216**	-
Total income		**526,421**	297,983
Finance costs	7	**(81,391)**	(28,136)
Impairment losses	8	**(2,671)**	-
Loss on disposal of investments	9	**(2,928)**	-
Other operating expenses	10	**(496)**	-
Profit before tax		**438,935**	269,847
Taxation	11	**(9,152)**	4,748
Profit for the year		**429,783**	274,595

	2019 £'000	2018 £'000
Attributable to:		
Owners of the parent	**429,783**	274,595
Profit for the year	**429,783**	274,595

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

Statement of comprehensive income
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit for the year attributable to owners of the parent		**429,783**	274,595
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in fair value through other comprehensive income financial assets:			
- changes in fair value	16	**668**	402
		668	**402**
Total comprehensive income for the year attributable to owners of the parent		**430,451**	**274,997**

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

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Current assets			
Cash and cash equivalents	12	**131,603**	328,504
Trade and other receivables	13	**1,787,642**	1,450,425
Current tax asset	11	**8,526**	4,875
Derivative financial assets	17	**1,756**	-
Non-current assets			
Investment in jointly controlled entities and associate	14	**200,578**	11,200
Investment in subsidiary undertakings	15	**885,767**	883,633
Investments	16	**618,293**	284,530
Total assets		**3,634,165**	2,963,167
Current liabilities			
Borrowed funds	18	**730,214**	194,229
Trade and other payables	19	**49**	-
Non-current liabilities			
Borrowed funds	18	**2,433,711**	2,196,342
Deferred tax liability	20	**17,144**	-
Total liabilities		**3,181,118**	2,390,571
EQUITY			
Share capital	21	**300,000**	300,000
Other reserves		**1,070**	402
Retained earnings		**151,977**	272,194
Total equity		**453,047**	572,596
Total equity and liabilities		**3,634,165**	2,963,167

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

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

Toby Reyc

A T Rougier
Director

28 September 2020

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Other reserves £'000	(Accumulated losses) / Retained earnings £'000	Total equity £'000
At 1 January 2018	300,000	-	(2,401)	297,599
Total comprehensive income for the year	-	402	274,595	274,997
At 31 December 2018	***300,000***	***402***	**272,194**	**572,596**
Total comprehensive income for the year	-	668	429,783	430,451
Dividend paid to equity holders of the Company	-	-	(550,000)	(550,000)
At 31 December 2019	**300,000**	**1,070**	**151,977**	**453,047**

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

Cash flow statement
For the year ended 31 December 2019

	2019 £'000	2018 £'000
Cash flows used in operating activities		
Profit before tax	**438,935**	**269,847**
Adjustments for:		
Financing income	**(43,244)**	(2,480)
Impairments	**2,671**	-
Changes in fair value of investments	**(124,727)**	27,935
Finance costs	**81,391**	28,090
Changes in working capital:		
Changes in trade and other receivables	**(337,217)**	(1,450,420)
Changes in trade and other payables	**49**	7,365
Cash generated from/(used in) operations	**17,858**	(1,119,663)
Interest paid	**(66,045)**	(28,090)
Interest received	**38,020**	2,480
Income taxes received	**4,340**	436
Net cash used in operating activities	**(5,827)**	(1,144,837)
Cash flows used in investing activities		
Acquisition of investments	**(422,543)**	(345,675)
Proceeds from sale of investments	**7,338**	6,936
Net cash used in investing activities	**(415,205)**	(338,739)
Cash flows generated from financing activities		
Dividends paid	**(550,000)**	-
Proceeds from borrowings	**773,354**	1,812,014
Net cash generated from financing activities	**223,354**	1,812,014
Change in cash and cash equivalents	**(197,678)**	328,438
Effect of exchange rate fluctuations	**777**	(6,185)
Cash and cash equivalents at beginning of year	**328,504**	6,251
Cash and cash equivalents at end of year	**131,603**	328,504
Cash and cash equivalents comprise		
Cash at bank	**131,603**	328,504
Cash and cash equivalents	**131,603**	328,504

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

Notes to the financial statements
For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

These financial statements have been prepared under the historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

The financial statements have been prepared on a going concern basis. There is a net asset position of £445,978,000 (2018: £572,596,000).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers LBG Equity Investments Limited and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Income recognition

Revenue

Interest income and expense are recognised in the Income Statement for all interest-bearing financial instruments, using the effective interest method where it can be reliably estimated and recognised on a cash basis where it cannot be reliably measured. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The effective interest rate is calculated on initial recognition of the financial asset or liability by estimating the future cash flows after considering all the contractual terms of the instrument but not future credit losses. The calculation includes all amounts expected to be paid or received by the Company including expected early redemption fees and related penalties and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account in the calculation. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss (see Note 1.6).

Dividend income is recognised when the right to receive payment is established and recognised in the Income Statement as Investment income.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'Profit on disposal of investments' in the Income Statement.

Foreign currency

The financial statements are presented in Pounds Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Pounds Sterling at the exchange rate prevailing at the date of the transaction. Exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the Balance sheet date are recognised in the Income statement. Non-monetary assets that are measured at fair value are translated using the exchange rate at the date that the fair value was determined.

1. Accounting policies (continued)

1.2 Income recognition (continued)

Foreign currency (continued)

Translation differences on non-monetary financial instruments classified as financial assets designated at fair value through other comprehensive income are included in equity, unless designated in a fair value hedging relationship where it is recognised in the Statement of comprehensive income together with foreign currency translation differences on the hedging instrument.

Income and expense from financial instruments

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

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

1.3 Expenses recognition

Finance costs

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

1.4 Financial assets and liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise Amounts due from group undertakings and Cash and cash equivalents. Financial liabilities comprise of Amounts due to group undertakings.

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income 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. Financial assets are considered in their entirety when considering their cash flow characteristics. 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. Equity investments are measured at fair value through profit or loss unless the Company elects at initial recognition to account for the instruments at fair value through other comprehensive income. For these instruments, principally strategic investments, dividends are recognised in profit or loss but fair value gains and losses are not subsequently reclassified to profit or loss following derecognition of the investment.

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.

Financial assets and liabilities held on the balance sheet are organised by liquidity, with those deemed most liquid presented first.

Financial instruments held at fair value through profit or loss

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch.

Trading securities, which are debt securities and equity shares acquired principally for the purpose of selling in the short term or which are part of a portfolio which is managed for short-term gains, do not meet these criteria and are also measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised in the balance sheet at their fair value. Fair value gains and losses together with interest coupons and dividend income are recognised in the Income Statement within investment income.

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the Group establishes a fair value by using valuation techniques.

They are initially recognised at fair value and transaction costs are expensed in the Income Statement. Financial instruments measured at fair value through profit or loss are carried on the Balance sheet at fair value. Any gains and losses arising from change in fair value are recognised in the Income Statement within changes in fair value of investments in the period in which they occur.

1. Accounting policies (continued)

1.4 Financial assets and liabilities (continued)

Financial instruments held at fair value through other comprehensive income

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are recognised in the balance sheet at their fair value, inclusive of transaction costs. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the financial asset is either sold or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the Income Statement other than in respect of equity shares, for which the cumulative revaluation amount is transferred directly to retained profits. Interest calculated using the effective interest method and foreign exchange gains and losses on assets denominated in foreign currencies are recognised in the income statement. In addition, the Group recognises a charge for expected credit losses in the Income Statement. As the asset is measured at fair value, the charge does not adjust the carrying value of the asset, it is reflected in other comprehensive income.

1.5 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Balance sheet date. The resulting gain or loss is recognised in equity in Other reserves.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

IFRS 9 requires all derivative financial instruments to be recognised initially at fair value on the Balance sheet and to be re measured to fair value at subsequent reporting dates. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of comprehensive income.

The Company uses derivative financial instruments to manage its exposure to foreign exchange rate risk arising from operational, financing and investing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

1.6 Impairment

(i) Impairment of financial assets

The impairment charge in the income statement includes the change in expected credit losses and certain fraud costs. Expected credit losses are recognised for loans and advances held at amortised cost, other financial assets held at amortised cost, financial assets measured at fair value through other comprehensive income, and certain loan commitments and financial guarantee contracts. 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 Group at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

1.7 Dividends paid

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

1.8 Cash and cash equivalents

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

1.9 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.

1. Accounting policies (continued)

1.9 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.

1.10 Investments

Investment in jointly controlled entities and associated undertakings

Investment in jointly controlled entities and associated undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in jointly controlled entities and associated undertakings are reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

Investment in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Income statement for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

1.11 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest rate method.

2. Critical accounting estimates and judgements in applying accounting policies

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

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

Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

Fair value of financial instruments

The Company categorises financial instruments carried on the Balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models. Valuation techniques for level 2 financial instruments use inputs that are based on observable market data. Level 3 financial instruments are those where the instrument's valuation is not based on observable market data. These valuation techniques involve management judgement and estimates, the extent of which depends on the complexity of the instrument and the availability of market observable information.

Valuation techniques for Level 2 financial instruments use inputs that are based on observable market data. Level 3 financial instruments are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. At 31 December 2019 the Company classified £618,293,000 of financial assets (2018: £284,530,000) as Level 3 financial instruments.

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

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based upon Cash flow models which use, wherever possible, independently sourced market parameters such as interest yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

Valuation of assets fair valued through other comprehensive income

Financial instruments classified as fair value through other comprehensive income are carried at fair value which is determined as the amount for which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Management judgement is required in determining the appropriate classification of financial instruments.

Impairment of investments

As explained in the accounting policy, investment securities are continually reviewed at the specific investment level for impairment. Impairment is recognised when there is objective evidence that a specific financial asset is impaired. Objective evidence of impairment might include a significant or prolonged decline in market value below the original cost of a financial asset and, in the case of debt securities, non-receipt of due interest or principal repayment, a breach of covenant within the security's terms and conditions or a measurable decrease in the estimated future cash flows since their initial recognition. The disappearance of active markets, declines in market value and ratings downgrades do not in themselves constitute objective evidence of impairment and, unless a default has occurred on a debt security, the determination of whether or not objective evidence of impairment is present at the Balance sheet date requires the exercise of management judgement.

In determining whether an impairment loss has been incurred in respect of an FVOCI financial asset, the Company performs an objective review of the current financial circumstances and future prospects of the issuer and, in the case of equity shares, considers whether there has been a significant or prolonged decline in the fair value of that asset below its cost. This consideration requires management judgement. Among factors considered by the Company is whether the decline in fair value is a result of a change in the quality of the asset or a downward movement in the market as a whole.

3. Income from investments

	2019 £'000	2018 £'000
Dividend income - subsidiary undertakings	352,671	322,590
Dividend income - other equity investments	3,563	848
	356,234	323,438

4. Changes in fair value of investments

	2019 £'000	2018 £'000
Equity securities	124,727	(27,935)
	124,727	(27,935)

5. Finance income

	2019 £'000	2018 £'000
Interest received	38,984	2,480
Foreign exchange gain	4,260	-
	43,244	2,480

6. Other income

	2019 £'000	2018 £'000
Fees and commission	2,216	-
	2,216	-

7. Finance costs

	2019 £'000	2018 £'000
Interest paid	**81,269**	28,090
Foreign exchange loss	**-**	46
Losses on foreign exchange forward	**122**	-
	81,391	28,136

Finance costs comprise interest payable on borrowings and foreign exchange losses. Interest payable is recognised in the Income Statement using the effective interest rate method. The effective interest rate is established on initial recognition of the financial liability and is not subsequently revised.

8. Impairment losses

	2019 £'000	2018 £'000
Subsidiaries	**2,671**	-
	2,671	-

9. Loss on disposal of investments

	2019 £'000	2018 £'000
Subsidiaries	**2,928**	-
	2,928	-

10. Other operating expenses

	2019 £'000	2018 £'000
Other expenses	**496**	-
	496	-

Fees payable to the Company's auditors for the audit of the financial statements of £37,000 (2018: £37,000) have been borne by the ultimate parent company and are not recharged to the Company.

The Company has no employees (2018: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, LBG, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group, it is therefore not possible to make an accurate apportionment of Directors emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

11. Taxation

	2019 £'000	2018 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**(8,076)**	(4,875)
- Adjustments in respect of prior years	**(450)**	-
Foreign tax:		
- Withholding tax on income	**534**	127
Current tax credit	**(7,992)**	(4,748)
UK deferred tax:		
- Origination and reversal of timing differences	**19,161**	-
- Due to change in UK corporation tax rate	**(2,017)**	-
Deferred tax charge	**17,144**	-
Tax charge/(credit)	**9,152**	(4,748)

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

b) Factors affecting the tax charge/(credit) for the year

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

	2019 £'000	2018 £'000
Profit before tax	**438,935**	269,847
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**83,398**	51,271
Factors affecting charge:		
- Adjustments in respect of prior years	**(450)**	-
- Due to change in UK corporation tax rate	**(2,017)**	-
- Disallowed and non-taxable items	**(72,313)**	(56,146)
- Unrelieved foreign taxes	**534**	127
Tax charge/(credit) on profit on ordinary activities	**9,152**	(4,748)
Effective rate	**2.09%**	(1.76%)

12. Cash and cash equivalents

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

	2019 £'000	2018 £'000
Cash at bank, held with group undertakings	**131,396**	327,782
Cash at bank, held with external parties	**207**	722
	131,603	328,504

13. Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from group undertakings (see note 22)	1,787,642	1,450,425
	1,787,642	1,450,425

Amounts due from group undertakings are unsecured, interest bearing and repayable on maturity.

14. Investment in jointly controlled entities and associate undertakings

For the year ended 31 December 2019	**Jointly controlled entities £'000**	**Associate undertakings £'000**	**Total £'000**
Cost			
Cost brought forward	-	11,200	11,200
Additions	378,000	-	378,000
Disposals	(188,622)	-	(188,622)
Cost at 31 December	189,378	11,200	200,578
Provision for impairment			
Provision brought forward	-	-	-
Credit for the year	-	-	-
Provision at 31 December	-	-	-
Carrying value of investments at 31 December	189,378	11,200	200,578

For the year ended 31 December 2018	Jointly controlled entities £'000	Associate undertakings £'000	Total £'000
Cost			
Cost brought forward	-	-	-
Additions	-	11,200	11,200
Cost at 31 December	-	11,200	11,200
Provision for impairment			
Provision brought forward	-	-	-
Credit for the year	-	-	-
Provision at 31 December	-	-	-
Carrying value of investments at 31 December	-	11,200	11,200

Investment in jointly controlled entities	**Company interest**	**Principal activities**	**Registered address**
Scottish Widows Schroder Wealth Holdings Limited	50.10%	Financial Services	25 Gresham Street, London, United Kingdom, EC2V 7HN

Investment in associate undertaking	**Company interest**	**Principal activities**	**Registered address**
Thought Machine Group Limited	10.07%	Software Development	5 New Street Square, London, EC4A 3TW

15. Investment in subsidiary undertakings

	2019 £'000	2018 £'000
Cost		
Cost brought forward	**883,633**	861,971
Additions	**390,188**	28,598
Disposals	**(385,383)**	(6,936)
Impairment	**(2,671)**	-
Cost at 31 December	**885,767**	883,633
Carrying value of investments at 31 December	**885,767**	883,633

Investment in subsidiary undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

Subsidiary undertakings	**Company interest**	**Principal activities**	**Registered Address**
Lloyds Development Capital (Holdings) Limited	100.00%	Investment Holding Company	25 Gresham Street, London, EC2V 7HN
Uberior Investments Limited	100.00%	Investment Holding Company	The Mound, Edinburgh, EH1 1YZ
Housing Growth Partnership GP LLP	90.00%	GP to Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
Housing Growth Partnership LP	50.00%	LP to Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
Housing Growth Partnership Manager Limited	100.00%	Small Authorised UK AIFM	25 Gresham Street, London, EC2V 7HN
HBOS Capital Funding (Jersey) Limited	100.00%	Dissolved 19/03/2019	IFC 5, St Helier, Jersey, JE1 1ST
Lloyds (General Partner) Limited	100.00%	Dissolved 18/01/2019	11-12 Esplanade, St Helier, Jersey, JE2 3QA
MBNA Europe Holdings Limited	100.00%	Investment Holding Company	Stansfield House, Chester Business Park, Chester, CH4 9QQ
MBNA Global Services Limited	100.00%	Dormant	Stansfield House, Chester Business Park, Chester, CH4 9QQ
Mainsearch Company Limited	100.00%	Dormant	Stansfield House, Chester Business Park, Chester, CH4 9QQ
Bank of Scotland Capital Funding (Jersey) Limited	100.00%	Dissolved 22/03/2019	IFC 5, St Helier, Jersey, JE1 1ST
Katrine Leasing Limited	100.00%	Dissolved 10/09/2019	47 Espanade, St Helier, Jersey, JE1 0BD
Lloyds Engine Capital (No 1) US LLC	100.00%	Lessor of aircraft engines	1095 Avenue of the America's, 34th Floor, New York, NY 10036, United States
Lloyds Group Holdings (Jersey) Limited	100.00%	Dormant	Queensway House, Hilgrove Street, St. Helier, Jersey, JE4 1ES
Moor Lane Holdings Limited	100.00%	Investment Holding Company	11-12 Esplanade, St Helier, Jersey, JE2 3QA
LBG Brazil Administracao LTDA	68.51%	Lloyds Bank Brazilian Subsidiary	Avenida Jurubatuba 73, 8° Andar, Vila Cordeiro, São Paulo, SP, CEP, 04583-100, Brazil
Hill Samuel Nominees Asia Private Limited	100.00%	Dissolved 13/08/2019	1 Raffles Quay, 18-01, Singapore (048583)
Lloyds International PTY Limited	100.00%	Australian Business Holding Company	Minter Ellison, Governor Maquarie Tower, Level 40, 1 Farrer place, Sydney NSW, Australia
WCS Limited	100.00%	In liquidation	P.O. Box 12, Peveril Buildings, Peveril Square, Douglas, Isle of Man, IM99 1JJ

16. Investments

	2019 £'000	2018 £'000
Investments		
Equity securities	605,543	284,530
Debt securities	12,750	-
	618,293	284,530

The movement in Equity securities can be summarised as follows:

For the year ended 31 December 2019	**Designated at fair value through profit and loss £'000**	**Designated at fair value through other comprehensive income £'000**	**Total £'000**
At 1 January 2019	267,607	16,923	284,530
Exchange translation	(10,706)	-	(10,706)
Movements in FVOCI equity securities	-	668	668
Changes to fair value	124,727	-	124,727
Additions	-	206,324	206,324
At 31 December 2019	**381,628**	**223,915**	**605,543**

For the year ended 31 December 2018	Designated at fair value through profit and loss £'000	Designated at fair value through other comprehensive income £'000	Total £'000
At 1 January 2018	-	-	-
Exchange translation	6,186	402	6,588
Changes to fair value	(27,935)	-	(27,935)
Additions	289,356	16,521	305,877
At 31 December 2018	267,607	16,923	284,530

16. Investments

	2019 £'000	2018 £'000
Gross Debt securities held at fair value through profit & loss		
As at 1 January	-	-
Additions	12,750	-
As at 31 December	12,750	-
Provision for impairment		
As at 1 January	-	-
Charge/(credit) for the year	-	-
As at 31 December	-	-
Net Debt securities held at amortised cost	12,750	-

17. Derivative financial assets

	31 December 2019 Notional amount £'000	31 December 2019 Fair value assets £'000	31 December 2018 Notional amount £'000	31 December 2018 Fair value assets £'000
Exchange rate contracts:				
Forwards	**94,472**	**1,756**	-	-
	94,472	**1,756**	-	-

A forward foreign exchange contract is an agreement to buy or sell a specified amount of currency on a specified future date at an agreed

The notional amount of the contract does not represent the Company's exposure to credit risk which is limited to the current cost of replacing contracts with a positive value to the Company should the company default.

18. Borrowed funds

	2019 £'000	2018 £'000
Amounts due to group undertakings (see note 22)	**3,163,925**	2,390,571
	3,163,925	2,390,571

Amounts due to group undertakings are unsecured, interest bearing and repayable on maturity (see note 24.2).

19. Trade payables

	2019 £'000	2018 £'000
Amounts due to group undertakings (see note 22)	**42**	-
Accruals and deferred income	**7**	-
	49	-

20. Deferred tax liability

The movement in the Deferred tax liability is as follows:

	2019 £'000	2018 £'000
Brought forward	-	-
Charge for the year (see note 11)	17,144	-
At 31 December	17,144	-

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

	2019 £'000	2018 £'000
Other temporary differences	17,144	-
	17,144	-

Deferred tax liability comprises:

	2019 £'000	2018 £'000
Other temporary differences	17,144	-
	17,144	-

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent with effect from 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax liabilities by £2.017.000.

21. Share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid		
300,000,002 ordinary shares of £1 each (2018: 300,000,002 ordinary shares)	300,000	300,000

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

22. Related party transactions

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

	2019 £'000	2018 £'000
Amounts due from group undertakings		
Lloyds Development Capital (Holdings) Limited	1,351,456	1,009,706
Uberior Investments Limited	400,579	405,685
Uberior Infrastructure Investments (No. 2) Limited	35,002	35,034
Housing Growth Partnership GP LLP	605	-
Total Amounts due from group undertakings (see note 13)	1,787,642	1,450,425

The lending to other group undertakings is unsecured and has a blended fixed interest rate of 2.83% (2018: 2.47%).

22. Related party transactions (continued)

	2019 £'000	2018 £'000
Amounts due to group undertakings		
LBG	**3,163,925**	2,390,571
Bank of Scotland Structured Asset Finance Limited	**1**	-
Lloyds Bank plc	**41**	-
Total Amounts due to group undertakings (see note 18 and 19)	**3,163,967**	2,390,571

The borrowing from other group undertakings is unsecured and is a combination of a blended fixed interest rate of 2.83% (2018: 2.38%) and the LIBOR rate.

	2019 £'000	2018 £'000
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**131,396**	327,782
Cash and cash equivalents held with group undertakings (see note 12)	**131,396**	327,782
Dividend income - subsidiary undertakings		
Lloyds Development Capital (Holdings) Limited	**350,000**	250,000
Uberior Investments Limited	**-**	72,590
Moor Lane Holdings Limited	**2,671**	-
Total Dividend income - subsidiary undertakings (see note 3)	**352,671**	322,590
Interest income		
Lloyds Development Capital (Holdings) Limited	**27,487**	1,761
Uberior Investments Limited	**10,867**	685
Uberior Infrastructure Investments (No. 2) Limited	**630**	34
Total Interest income (see note 5)	**38,984**	2,480
Interest expense		
LBG	**81,269**	28,090
Total Interest paid (see note 7)	**81,269**	28,090

23. Related undertakings

In compliance with Section 409 of the Companies Act 2006, the following comprises a list of all indirect subsidiary undertakings of the Company, as at 31 December 2019:

Name of undertaking	Class of shareholding	% Held	Country of incorporation	
LDC (Managers) Limited	Ordinary	100.00%	England and Wales	(i)
LDC (General Partners) Limited	Ordinary	100.00%	England and Wales	(i)
LDC (Nominees) Limited	Ordinary	100.00%	England and Wales	(i)
LDC I LP	n/a	100.00%	England and Wales	(i)
LDC II LP	n/a	100.00%	England and Wales	(i)
LDC III LP	n/a	100.00%	England and	(i)
LDC IV LP	n/a	100.00%	England and Wales	(i)
LDC V LP	n/a	100.00%	England and Wales	(i)
LDC VI LP	n/a	100.00%	England and Wales	(i)
LDC VII LP	n/a	100.00%	England and Wales	(i)
LDC VIII LP	n/a	100.00%	Scotland	(x)
Bank of Scotland Capital Funding LP	n/a	100.00%	Jersey	(iii)
HBOS Capital Funding LP	Dissolved 11th March 2019		Jersey	(iii)
HBOS Capital Funding No 1 LP	n/a	100.00%	Jersey	(iii)
Uberior ENA Limited	Ordinary	100.00%	Scotland	(iv)
Lloyds Bank MTCH.Limited	Ordinary	100.00%	England and Wales	(vi)
Bank of Scotland Mistral Limited	Ordinary	100.00%	England and Wales	(vi)
Uberior Fund Investments Limited	Ordinary	100.00%	Scotland	(iv)
Uberior Ventures Limited	Ordinary	100.00%	Scotland	(iv)
BOS Edinburgh No. 1 Limited	Ordinary	100.00%	Scotland	(iv)

23. Related undertakings (continued)

Name of undertaking	Class of shareholding	% Held	Country of incorporation	
Bank of Scotland Insurance Services Limited	Dissolved 13th August 2019		Scotland	(v)
Prestonfield Investments Limited	Ordinary	100.00%	Scotland	(iv)
Uberior Equity Limited	Ordinary	100.00%	Scotland	(iv)
Horizon Capital 2000 Limited	Ordinary	100.00%	Scotland	(iv)
Uberior Infrastructure Investments Limited	Ordinary	100.00%	Scotland	(iv)
Uberior Trading Limited	Ordinary	100.00%	Scotland	(iv)
Housing Growth Partnership Limited	Ordinary	100.00%	Scotland	(vi)
MBNA Europe Finance Limited	Ordinary	100.00%	Jersey	(vii)
MBNA Receivables Limited	Ordinary	100.00%	Jersey	(viii)
Scottish Widows Schroder Personal Wealth Limited	Ordinary	100.00%	England and Wales	(vi)
Scottish Widows Schroder Personal Wealth (ACD)	Ordinary	100.00%	England and Wales	(vi)
MBNA Indian Services Private Limited	Ordinary	100.00%	India	(ix)
Prestbury Investments Limited	Ordinary	100.00%	England and Wales	(xi)
Peony Leasing Limited	Ordinary	100.00%	England and Wales	(xii)
Hedge End Place Hold Co Limited	Ordinary	100.00%	England and Wales	(vi)

Registered office
(i) One Vine Street, London, W1K 0AH
(ii) 41/F, Bank of China Tower, 1 Garden Road, Central
(iii) Sanne Group, 13 Castle Street, St Helier, J4 5UT
(iv) The Mound, Edinburgh, EH1 1YZ
(v) EY Atria One, 144 Morrison Street, Edinburgh, EH3
(vi) 25 Gresham Street, London, EC2V 7HN
(vii) Glategny Court, PO Box 140, Glantegny Esplanade, St Peter Port, Guernsey, GY 3HQ
(viii) 26 New Street, St Helier, Jersey, JE2 3RA
(ix) The Residency, 7th Floor, 133/1 Residency Road, Bangalore, 560025, India
(x) 39 Queens Road, Aberdeen, AB15 4ZN
(xi) Cavendish House, 18 Cavendish Square, London, W1G 0PJ
(xii) 1 More London Place, London, SE1 2AF

24. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, markets risk, interest rate risk, foreign exchange risk and equity risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by LBG, and the ultimate parent, LBG.

24.1 Credit risk

Credit risk management

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from investment activities that bring debt securities into the Company's asset portfolio.

In measuring the credit risk of loans and advances, the Company reflects three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Cash and cash equivalents and Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant.

Credit risk mitigation

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

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

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

24. Financial risk management (continued)

24.1 Credit risk (continued)

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

	2019 £'000	2018 £'000
Trade and other receivables	**1,787,642**	1,450,425
Cash and cash equivalents	**131,603**	328,504
	1,919,245	1,778,929

24.2 Liquidity risk

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

The table below sets put the cash flows payable by the Company in respect of Amounts due to related undertakings, by remaining contractual undiscounted repayments of principal and interest, at the Balance sheet date. All other financial liabilities are repayable on demand.

As at 31 December 2019

	Up to 1 month £'000	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Amounts due to group undertakings	**301,715**	**8,919**	**419,580**	**1,908,787**	**524,924**	**3,163,925**
	301,715	**8,919**	**419,580**	**1,908,787**	**524,924**	**2,862,210**

As at 31 December 2018

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Amounts due to group undertakings	0	10,229	184,000	552,000	1,644,342	2,390,571
	0	10,229	184,000	552,000	1,644,342	2,390,571

All other funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

24.3 Market risk

The Company is exposed to market risk, which is analysed below in notes 24.4 to 24.7.

Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- Interest rates (interest rate risk);
- Foreign exchange rates (foreign exchange risk);
- Equity markets (equity risk);

At the reporting date, the Company's exposure to market risk arose from interest rate, foreign exchange and equity risk.

24. Financial risk management (continued)

24.4 Interest rate risk

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

Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

24.5 Business risk

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

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

24.6 Foreign currency risk

Foreign exchange risk arises on monetary financial assets (included in "investments", and "cash and cash equivalents") and borrowings denominated in a currency other than Pounds Sterling. The currency giving rise to this risk is the US Dollar. The Company follows a policy of ensuring that all foreign currency financial assets are matched with borrowings in the same currency, thus minimal sensitivity to foreign exchange exposure is considered to exist. When there is an impairment of a fair value through other comprehensive income non monetary asset the impairment is calculated in functional currency and therefore includes some of the impact of foreign currency translation.

24.7 Equity risk

Equity risk exists from the Company's exposure to equity securities. The Company undertakes a full assessment of each entity's potential for value creation prior to entering into a new transaction. Thereafter the performance of each investment is continually monitored and action taken as deemed appropriate in the circumstances. Further information about the Company's sensitivity to changes in the fair value of equity investments is set out below and in Note 24.9 to the financial statements. At the reporting date the carrying value of equity investments amounted to £605,543,000 (2018: £284,530,000). For investments carried at fair value through profit or loss changes in fair value would have a direct impact on profit before tax (PBT) whereas fair value through other comprehensive income investments will be recognised in other comprehensive income through the fair value through comprehensive income reserve, unless the investment is deemed to be impaired and changes in fair value are taken to the Income Statement.

The table below sets out the sensitivity of PBT and the fair value through other comprehensive income reserve (before tax) to a 10.00% fall in fair value of equity investments as at the Balance sheet date.

	Profit before tax 2019 £'000	**Fair value through other comprehensive income reserves 2019 £'000**	Profit before tax 2018 £'000	Fair value through other comprehensive income reserves 2018 £'000
Equity investments	**38,163**	**22,392**	26,761	1,692
	38,163	**22,392**	26,761	1,692

The underlying investment sector has concentrations around Financial Services (96%, 2018: 94%) and Financial Technology (4%, 2018:

Geographic exposure is within the USA (63%; 2018: 94%) and UK (37%; 2018: 6%).

24.8 Financial strategy

The Company uses financial instruments to mitigate interest rate and foreign exchange rate risk. However, the Company does not trade in financial instruments.

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities

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

Fair value of financial assets carried at fair value

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Fair value hierarchy

Level 1 portfolios

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 predominantly comprise listed equity shares, treasury bills and other government securities.

Level 2 portfolios

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable data.

Level 3 portfolios

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include the Company's venture capital and unlisted equity investments which are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

The tables below provide an analysis of the financial assets of the Company that are carried at fair value in the Company's Balance sheet, grouped into Levels 1 to 3 based on the degree to which the inputs to fair value are observable.

At 31 December 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss	-	-	**394,378**	**394,378**
Financial assets at fair value through other comprehensive income	-	-	**223,915**	**223,915**
	-	-	**618,293**	**618,293**

At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	-	-	267,607	267,607
Financial assets at fair value through other comprehensive income	-	-	16,923	16,923
	-	-	284,530	284,530

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

Fair value of financial assets carried at fair value (continued)

The following table shows the reconciliation from the opening balances to the closing balances for fair value movement in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit and loss £'000	**Financial assets at fair value through other comprehensive income £'000**	**Total £'000**
At 1 January 2019	**267,607**	**16,923**	**284,530**
Gains recognised in:			
- Income Statement	**114,021**	**-**	**114,021**
- Other comprehensive income	**-**	**668**	**668**
Additions	**12,750**	**206,324**	**219,074**
At 31 December 2019	**394,378**	**223,915**	**618,293**
For assets held at the end of the reporting year:			
Total gains included in Income statement during the year	**114,021**	**-**	**114,021**
Total gains included in Other comprehensive income during the year	**-**	**668**	**668**

	Financial assets at fair value through profit and loss £'000	Financial assets at fair value through other comprehensive income £'000	Total £'000
At 1 January 2018	-	-	-
Gains/(losses) recognised in:			
- Income Statement	(21,749)	-	(21,749)
- Other comprehensive income	-	402	402
Additions	289,356	16,521	305,877
At 31 December 2018	267,607	16,923	284,530
For assets held at the end of the reporting year:			
Total (losses) included in Income statement during the year	(21,749)	-	(21,749)
Total gains included in Other comprehensive income during the year	-	402	402

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

Fair value of financial assets carried at fair value (continued)

Although the Company believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. The valuation techniques used for unlisted equities and venture capital investments vary depending on the nature of the investment. Further details of these are given below. As these factors differ for each investment depending on the nature of the valuation technique used and the inputs there is no single common factor that could be adjusted to provide a reasonable alternative valuation for these investments portfolios.

Changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effects:

	Fair value £'000	As at 31 December 2019 Favourable changes £'000	Unfavourable changes £'000	Fair value £'000	As at 31 December 2018 Favourable changes £'000	Unfavourable changes £'000
Financial assets at fair value through profit or loss						
Equity securities	381,628	38,978	(38,125)	267,607	35,172	(35,304)
Debt securities	12,750	383	(383)	-	-	-
Financial assets at fair value through other comprehensive income						
Equity securities	223,915	7,044	(6,159)	16,923	2,077	-
	618,293	46,405	(44,667)	284,530	37,249	(35,304)

Both favourable and unfavourable movements in respect of financial assets at fair value through profit or loss would be recognised in the Income Statement. Both favourable and unfavourable movements in respect of financial assets at fair value through other comprehensive income would be recognised in other comprehensive income.

The main instruments where Level 3 valuations have been used are described below:

Equity investments (including venture capital)

Unlisted equities and fund investments are accounted for as financial assets at fair value through profit or loss or fair value through other comprehensive income. These investments are valued using different techniques as a result of the variety of investments across the portfolio in accordance with the Group's valuation policy and are calculated using International Private Equity and Venture Capital Guidelines.

Depending on the business sector and the circumstances of the investment, unlisted equity valuations are based on earnings multiples, net asset values or discounted cash flows.

- A number of earnings multiples are used in valuing the portfolio including price earnings, earnings before interest and tax and earnings before interest, tax, depreciation and amortisation (EBITDA). The particular multiple selected being appropriate for the type of business being valued and is derived by reference to the current market-based multiple. Consideration is given to the risk attributes, growth prospects and financial gearing of comparable businesses when selecting an appropriate multiple, and as such this multiple has been considered in establishing the possible alternatives above.

- Discounted cash flow valuations use estimated future cash flows, usually based on management forecasts, with the application of appropriate exit yields or terminal multiples and discounted using rates appropriate to the specific investment, business sector or recent economic rates of return. Recent transactions involving the sale of similar businesses may sometimes be used as a frame of reference in deriving an appropriate multiple. The rates of discount applied have been considered in establishing the possible

- For fund investments the most recent capital account value calculated by the fund manager is used as the basis for the valuation and adjusted, if necessary, to align valuation techniques with the Group's valuation policy. In line with International Private Equity and Venture Capital Guidelines the values of underlying investments in these portfolios have been considered, and possible alternatives considered on both a positive and negative basis.

24. Financial risk management (continued)

24.9 Fair values of financial assets and liabilities (continued)

Equity investments (including venture capital)

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

The carrying value of Debtors and all other financial assets and liabilities is considered an approximation of fair value.

24.10 Derivative financial instruments

The principal derivatives used by the Company are foreign exchange forwards to hedge against fluctuations in foreign exchange rates. A forward foreign exchange contract is an agreement to buy or sell a specified amount of currency on a specified future date at an agreed rate.

Under a foreign exchange forward contract, the Company agrees to purchase a specified amount of foreign currency at an agreed exchange rate at a particular future date. Such contracts enable the Company to mitigate the risk of changing foreign exchange rates on the investments held in a foreign currency.

The notional principal amounts of the outstanding foreign exchange forward contracts are £94,472,000 ($122,650,000) (2018: £nil, $nil). These notional amounts may change over time in line with the changes in investment value. The terms on the derivatives provide for net settlement of fixed exchange rates payable of 1.292485 and 1.316480.

The fair value of foreign exchange forwards at the reporting date is determined by comparing the exchange rate at that date to the contractual exchange rate.

The table below analyses the fixed amount payable on the forward by the due date.

	Contractual cash flows	
	2019 £'000	2018 £'000
1 to 3 months	**94,472**	-
	94,472	-

24.11 Capital disclosures

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

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

25. Contingent liabilities and financial commitments

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

26. Post balance sheet events

Since the balance sheet date there has been a global pandemic from the outbreak of Covid-19, which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the Directors are only able to give an estimate of its financial effect. The estimated effect, to the date these accounts were signed, would be a reduction in investment values of circa £60m-£120m.

On the 27th January 2020 the Company increased its issued share capital by £100,000,000. These additional shares were all purchased by the Company's immediate parent LBG.

On the 10th August 2020 the Company sold one of its FVOCI assets which was valued at £18,615,000 at 31st December 2019.

Subsequent to the balance sheet date the Company converted £7,134,000 of the £12,750,000 debt securities held, following a £1,070,000 fair value movement.

27. Future developments

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

Pronouncement	Nature of change	Effective date
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting - reinstating prudence as a component of neutrality - defining a reporting entity, which may be a legal entity, or a portion of an entity - revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020
Amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).	Annual periods beginning on or after 1 January 2020

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

28. Ultimate parent undertaking and controlling party

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

Independent auditors' report to the members of LBG Equity Investments Limited

Report on the audit of the financial statements

Opinion

In our opinion, LBG Equity Investments Limited's financial statements:

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

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to thc 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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 September 2020