Classification: Confidential

HBOS INSURANCE & INVESTMENT GROUP LIMITED

REPORT

AND

FINANCIAL STATEMENTS

For the 18 month period ended

29 JUNE 2019

Member of Lloyds Banking Group plc

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COMPANY INFORMATION

Board of Directors

I S Perez
J R C Von Schmidt auf Altenstadt

Company Secretary

A E Mulholland

Independent Auditors

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

Registered Office

33 Old Broad Street
London
EC2N 1HZ

Company Number

03195584

DIRECTORS' REPORT

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

The Company is a wholly owned subsidiary of Lloyds Bank plc. The Company's ultimate parent company and ultimate controlling party is LBG.

Results and dividend

The result for the Company for the 18 month period ended 29 June 2019 is a loss before tax of £2,346k (year ended 31 December 2017: profit before tax: £15k).

The net assets of the company have decreased by £2,409k (year ended 31st December 2017: £nil) mainly due to the write-off of an historic inter-company debtor balance in advance of the liquidation of the company.

The Directors do not recommend the payment of a final dividend (2017: £ nil). During the year no dividends were paid to the parent Company (2017: £ nil).

Directors

The names of the current Directors are listed on page 2. The following changes have taken place during the year or since the year end:

P J S Astruc	(resigned 28 February 2019)
J R C Von Schmidt auf Altenstadt	(appointed 28 March 2019)

Particulars of the Directors' emoluments are given in note 12.

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 the directors who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law.

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

Disclosure of information to auditors

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

Future developments

There is the intention to have the Company wound up as part of an LBG project to reduce the number of companies within the group.

The Company ceased trading after its subsidiaries were liquidated in 2015. Accordingly, the going concern basis of accounting is not appropriate, and the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements.

Financial risk management

Disclosures relating to financial risk management are included in note 11 to the financial statements and are therefore incorporated into this report by reference.

The United Kingdom leaving the European Union

Following the UK's exit from the EU, significant negotiation is now required on the terms of the future trade agreement. As a result, the possibility of a limited or no deal at the end of the transition period remains and could manifest in prolonged business uncertainty across the UK, including in the financial services sector. This continued lack of clarity over the UK's relationship with the EU and other foreign countries, and on-going challenges in the Eurozone, including weak growth, raise additional uncertainty for the UK's economic outlook. There also remains the possibility of a further referendum on Scottish independence. The Company is part of the wider Lloyds Banking Group, and, it is at that level that consideration of the many potential implications this may have has been undertaken. Work continues to assess the impact of the EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications. No impact is expected for the Company.

Coronavirus

There are risks arising from the outbreak of Covid-19 which has occurred since the balance sheet date. In view of its currently evolving nature, the directors continue to monitor the environment closely and based on emerging signals known at the time concluded that there will be no significant impact for the Company.

Statement of Directors' Responsibilities

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

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

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

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

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

On behalf of the Board of Directors

I S Perez
Director
23 June 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HBOS INSURANCE & INVESTMENT GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, HBOS Insurance & Investment Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its loss and cash flows for the 18 month period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: Balance sheet as at 29 June 2019; the statement of comprehensive income for the 18 month period ended 29 June 2019, Cash flow statement for the 18 month period ended 29 June 2019, the statement of changes in equity for the 18 month period ended 29 June 2019; and the notes to the financial statements, which include a description of the significant accountingpolicies.

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.

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1(a) to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than 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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HBOS INSURANCE & INVESTMENT GROUP LIMITED (CONTINUED)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 29 June 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 Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Neil Riches

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

	Note	For the 18 month period ended 29 June 2019	For the year ended 31 December 2017
		£k	£k
Revenue			
Investment Income	2	332	15
Total Revenue		**332**	**15**
Operating expenses			
Write off of historic debtor balance	3	(2,678)	-
Total operating expenses		**(2,678)**	-
(Loss) / Profit before tax		**(2,346)**	**15**
Taxation charge	4	(63)	(3)
(Loss) / Profit for the year		**(2,409)**	**12**

There are no items of comprehensive income which have not already been presented in arriving at the (loss) / profit for the year.

Total comprehensive (expense) / income for the 18 month period ended 29 June 2019 was (£2,409k) (year ended 31 December 2017: £12k)

The notes set out on pages 11 to 21 are an integral part of these financial statements.

BALANCE SHEET AS AT 29 JUNE 2019

	Note	29 June 2019 £k	31 December 2017 £k
ASSETS			
Current assets			
Amounts due from Group undertakings	5	129,670	132,506
Cash and cash equivalents	6	57,459	67,805
Total assets		**187,129**	**200,311**
EQUITY AND LIABILITIES			
Capital & Reserves attributable to Company's equity shareholder			
Share capital	7	-	-
Capital contribution reserve		63,000	63,000
Retained earnings		(652)	1.757
Total equity		**62,348**	**64,757**
LIABILITIES			
Current liabilities			
Current tax payable	8	63	3
Amounts due to Group undertakings	9	124,718	135,551
Total liabilities		**124,781**	**135,554**
Total equity and liabilities		**187,129**	**200,311**

The notes set out on pages 11 to 21 are an integral part of these financial statements.

The financial statements on pages 7 to 21 were approved on behalf of the Board of Directors and signed on its behalf by

I S Perez
Director
23 June 2020

STATEMENT OF CASH FLOWS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

	Note	For the 18 month period ended 29 June 2019 £k	For the year ended 31 December 2017 £k
Cash flows from operating activities			
(Loss) / Profit before tax		(2,346)	15
Adjusted for:			
Investment income	2	(332)	(15)
Net movement in operating assets and liabilities	10	(7,997)	60,565
Taxation paid		(3)	(567)
Net cash flows (used in) / generated from operating activities		**(10,678)**	**59,998**
Cash flows from investing activities			
Investment income		332	15
Net cash flows generated from investing activities		**332**	**15**
Net (decrease) / increase in cash and cash equivalents		(10,346)	60,013
Cash and cash equivalents at start of period / year		67,805	7,792
Cash and cash equivalents at end of period / year	6	**57,459**	**67,805**

The notes set out on pages 11 to 21 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

	Share Capital	Capital Contribution reserve	Retained Earnings	Total Equity
	£k	£k	£k	£k
Balance as at 1 January 2017	**-**	**63,000**	**1,745**	**64,745**
Profit for the year / transfer to reserves	-	-	12	12
Balance as at 31 December 2017	**-**	**63,000**	**1,757**	**64,757**
(Loss) for the 18 month period / transfer to reserves	-	-	(2,409)	(2,409)
Balance as at 29 June 2019	**-**	**63,000**	**(652)**	**62,348**

The notes set out on pages 11 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

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

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

3) under the historical cost convention.

There is the intention to have the Company wound up as part of an LBG project to reduce the number of companies within the group, as the Company ceased trading. Accordingly, the going concern basis of accounting is not appropriate, and the financial statements have been prepared on a basis other than going concern.

The comparative financial information is prepared on the same basis as the current year financial information. In the prior year, the financial statements were reviewed to assess whether adjustments were required to reduce assets to their realisable values, provide for liabilities arising from the decision, and to reclassify fixed assets and long term liabilities as current assets and liabilities. No adjustments were considered necessary. Accordingly no additional adjustments were made in these financial statements.

Standards and interpretations effective in 2019

On 1 January 2018, the Company adopted IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments: Recognition and Measurement". Adoption of IFRS 9 has not had a material impact on the Company.

(b) Financial assets and financial liabilities

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

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company reclassifies financial assets when and only when its business model for managing those assets changes. 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.

All financial assets and financial liabilities are stated at amortised cost which is approximate to the fair value as the financial statements are prepared on a basis other than going concern, with the exception of the investment in a liquidity fund which is valued at fair value.

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

(c) Revenue recognition

Investment income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

1. Accounting policies (continued)

(d) Impairment

Financial assets

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

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

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

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

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

Non-financial assets

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

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

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

(e) Taxation

Tax expense comprises current tax. Current tax is charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

1. Accounting policies (continued)

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These represent amounts receivable from fellow Group undertakings.

Loans and receivables are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within loans and receivables.

A charge for impairment in respect of loans and receivables would be made in the statement of comprehensive income when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. The impairment charge would be recognised in that part of the statement of comprehensive income in which the original transaction was reported. Further information on the Company's impairment policy is set out at policy (d).

(g) Cash and cash equivalents

Cash and cash equivalents relates to cash at bank.

(h) Financial liabilities

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

(i) Share capital and reserves

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

Capital contribution reserve represents a capital contribution received in 2006 to facilitate the transfer of pension scheme arrangements to HBOS plc.

(j) Critical accounting estimates and judgments in applying accounting policies

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

There are no significant accounting estimates or judgements that have been used in the preparation of these financial statements.

2. Investment income

	For the 18 month period ended 29 June 2019 £k	For the year ended 31 December 2017 £k
Bank Interest received	332	15
Total	**332**	**15**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

3. Other operating expenses

During the year an exercise to settle intercompany balances identified an historic balance for which there was no identifiable counterparty creditor. Following investigation, it was decided to write-off the credit loss through the statement of comprehensive income in the period. This credit loss amounted to £2,677,816.79 and is treated as not deductible for tax.

Audit fees for 2019 and 2017 were borne by another company within the LBG Group and were not recharged to the Company. The fees payable in respect of the audit of the statutory financial statements of the Company by PricewaterhouseCoopers LLP are £4k (2017: £4k). No fees relating to non-audit services were paid to the Auditors during the year (2017: £nil).

No staff are employed directly by the Company (2017: nil). All staff providing services to the Company are employed by other subsidiaries of LBG.

4. Taxation charge

(a) Current year tax

	For the 18 month period ended 29 June 2019 £k	For the year ended 31 December 2017 £k
Current tax payable	63	3
Total	**63**	**3**

(b) Reconciliation of tax charge

	For the 18 month period ended 29 June 2019 £k	For the year ended 31 December 2017 £k
(Loss) / Profit before tax	(2,346)	15
Tax (credit) / charge at 19% (2017: 19.25%)	(446)	3
Effects of:		
Disallowable expenses	509	-
Tax charge for the period	**63**	**3**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

5. Loans and other receivables

	29 June 2019	31 December 2017
	£k	£k
Amounts due from group undertakings	129,670	132,506
Total	**129,670**	**132,506**

Further information in respect of amounts due from group undertakings is given in note 12. The amounts owed from group undertakings are non-interest bearing, unsecured and repayable on demand.

Information in respect of credit risk is given in note 11.

6. Cash and cash equivalents

	29 June 2019	31 December 2017
	£k	£k
Cash at bank	57,459	67,805
Total	**57,459**	**67,805**

7. Share capital

	29 June 2019	31 December 2017
	£k	£k
Authorised, allotted, called up and fully paid share capital:		
1 (2017: 1) ordinary shares of £1 each	-	-
	-	-

There were no changes in share capital during the period.

8. Current tax payable

	29 June 2019	31 December 2017
	£k	£k
Current tax payable	63	3
Total	**63**	**3**

9. Trade and other payables

	29 June 2019	31 December 2017
	£k	£k
Amounts owed to group undertakings	124,718	135,551
Total	**124,718**	**135,551**

Further information in respect of amounts due from group undertakings is given in note 12. The amounts owed to group undertakings are non-interest bearing, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

10. Net movement in operating assets and liabilities

	For the 18 month period ended 29 June 2019 £k	For the year ended 31 December 2017 £k
Decrease in loans and other receivables	2,836	559,019
Decrease in trade and other payables	(10,833)	(498,454)
Net movement in operating assets	**(7,997)**	**60,565**

11. Risk management

The Company's principal activity was that of a holding company of subsidiaries within LBG. These subsidiaries were liquidated on 2015 and since then the Company has had no principal trade.

This note summarises the risks associated with the activities of the Company and the way in which the Company managed them during the period.

(a) Governance framework

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

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

Responsibility for the management of risk resides with the Board of the Company, operating within a management framework established by the immediate parent company, Lloyds Bank plc, and the ultimate parent, Lloyds Banking Group plc. The Board manages risks in line with LBG risk policies.

(b) Financial risks

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

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

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

1) Credit risk

The risk that counterparties with whom we have contracted, fail to meet their financial obligations, resulting in loss to the Company.

There were no past due or impaired assets at 29 June 2019 or 31 December 2017. No terms in respect of financial assets had been renegotiated at 29 June 2019 or 31 December 2017.

Credit risk is not considered to be significant to the Company as debtor balances are due from other group companies (the credit rating is 'A', using Standard & Poor's rating, for the Lloyds Banking Group).

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

11. Risk management (continued)

(b) Financial risks (continued)

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

As at 29 June 2019

	Total £k	AAA £k	AA £k	A £k	Not rated £k
Amounts due from group undertakings	129,670	-	-	129,670	-
Cash at bank	57,459	-	-	57,459	-
Total	**187,129**	-	-	**187,129**	-

As at 31 December 2017

	Total £k	AAA £k	AA £k	A £k	Not rated £k
Amounts due from group undertakings	132,506	-	-	132,506	-
Cash at bank	67,805	-	-	67,805	-
Total	**200,311**	-	-	**200,311**	-

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

2) Market risk

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

(i) Liquidity risk

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

Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from the inability to generate cash inflows as anticipated. Liquidity risk is managed in line with the LBG Funding and Liquidity Policy.

Liquidity risk has been analysed as arising from the settlement of balances owed to other group undertakings of £120.5m (2017: £135.6m). These amounts are all contractually due within one month from the reporting date.

The following tables set out the contractual maturity of financial assets held for managing liquidity risk:

As at 29 June 2019	Up to 1 month £k	1-3 months £k	3-12 months £k	1-5 yrs £k	Over 5 yrs £k	Total £k
Amounts due from group undertakings	129,670	-	-	-	-	129,670
Cash at bank	57,459	-	-	-	-	57,459
Total assets	**187,129**	-	-	-	-	**187,129**

As at 31 December 2017	Up to 1 month £k	1-3 months £k	3-12 months £k	1-5 yrs £k	Over 5 yrs £k	Total £k
Amounts due from group undertakings	132,506	-	-	-	-	132,506
Cash at bank	67,805	-	-	-	-	67,805
Total assets	**200,311**	-	-	-	-	**200,311**

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

11. Risk management (continued)

(b) Financial risks (continued)

2) Market risk (continued)

(i) Liquidity risk (continued)

The following tables indicate the timing of the contractual cash flows arising from the Company's financial liabilities, as required by IFRS 7.

As at 29 June 2019	Up to 1 month £k	1-3 months £k	3-12 months £k	1-5 yrs £k	Over 5 yrs £k	Total £k
Amounts owed to group undertakings	124,718	-	-	-	-	124,718
Total liabilities	**124,718**	-	-	-	-	**124,718**

As at 31 December 2017	Up to 1 month £k	1-3 months £k	3-12 months £k	1-5 yrs £k	Over 5 yrs £k	Total £k
Amounts owed to group undertakings	135,551	-	-	-	-	135,551
Total liabilities	**135,551**	-	-	-	-	**135,551**

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

(ii) Interest rate risk

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

If interest rates were to increase or decrease by 25 basis points, the impact on profit and loss after tax is considered to be immaterial in respect of interest-bearing financial assets and financial liabilities.

3) Capital risk

Capital risk is defined as the risk that the Company has a sub-optimal amount or quality of capital or that capital is inefficiently deployed across the LBG group of companies.

The Company manages the capital structure and makes adjustments to reflect changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company return capital to the shareholder, issue new shares or sell assets.

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

4) Economic Risk

Due to the Company's Director's intention to liquidate the Company in 2020 and the minimal assets and operations within the Company as at 31 December 2019, the economic risk arising from the current muted UK economic growth and the more recent coronavirus outbreak remains limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

11. Risk management (continued)

5) Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. These risks are deemed immaterial to the Company given its current situation.

There are a number of secondary categories of operational risk including the undernoted:

6) Financial crime and fraud risk

Financial crime concerns activity related to money laundering, sanctions, terrorist financing and bribery. Fraud covers acts intended to defraud, misappropriate property or circumvent the law. These activities could give rise to risk of reduction in earnings and/or value, through financial or reputational loss. Losses may include censure, fines or the cost of litigation.

7) Information security and physical security risk

Information security risk relates to the risk of reductions in earnings and/or value, through financial or reputational loss, resulting from theft of or damage to the security of the Insurance Division's information and data. Physical security risk relates to the risk to the security of people and property.

8) Operational resilience risk

Operational resilience risk covers the risk or instances of interruptions to business operations (including critical buildings, critical and core infrastructure and IT systems, suppliers and colleagues), as a consequence of external or internal events due to insufficient resilience, inadequate recovery strategies and/or continuity systems and controls.

9) Change risk

Change risk is related to the management of change - designing and implementing key projects or programme. Potential loss could arise from failure requirements, budget or timescale; failure to implement change effectively; or failure to realise desired benefits.

10) Sourcing and service provision risk

Sourcing risk covers the risk of reductions in earnings and/or value through financial or reputational loss from risks associated with activity related to the agreement and management of services provided by third parties including outsourcing.

Service provision risk covers the risks associated with provision of services to a third party and with the management of internal intra-group service arrangements.

(c) Regulatory and legal risk

Regulatory and legal risk is defined as the risk that the Company is exposed to fines, censure, legal or enforcement action, civil or criminal proceedings in the courts (or equivalent) and risk that the Company is unable to enforce its rights as anticipated.

Regulators aim to protect the rights of customers, ensuring firms satisfactorily manage their affairs for the benefit of customers and that they retain sufficient capital and liquidity. The Insurance Division has embedded a risk framework to closely monitor and manage its legal and regulatory risks, and maintains regular interaction with its regulators.

(d) Governance risk

The risk that the Company's organisational infrastructure fails to provide robust oversight of decision making and the control mechanisms to ensure strategies and management instructions have been implemented effectively.

(e) Financial reporting risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 29 JUNE 2019

12. Related party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent undertaking is Lloyds Bank plc, a company registered in the United Kingdom. The Company is a wholly owned subsidiary of Lloyds Bank plc.

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

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

(b) Transactions and balances with related parties

Transactions between the Company and other companies in the Lloyds Banking Group

The Company has entered into the following transactions and holds the following balances with other related parties during the period:

	For the 18 month period ended 29 June 2019			
	Income during period	Expenses during period	Payable at period end	Receivable at period end
	£k	£k	£k	£k
Relationship				
Parent	-	-	-	-
Other related parties	332	-	124,718	187,129

	For the year ended 31 December 2017			
	Income during period	Expenses during period	Payable at year end	Receivable at year end
	£k	£k	£k	£k
Relationship				
Parent	-	-	-	-
Other related parties	15	-	135,551	200,311

All outstanding balances at the reporting date are unsecured. There are no amounts past due.

Transactions between the Company and key management

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

Key management compensation

The Directors consider that they receive no remuneration for their services to the Company.

13. Adoption of IFRS 9

On 1 January 2018, the Company adopted IFRS 9 "Financial Instruments", which replaced IAS 39 "Financial Instruments: Recognition and Measurement". Adoption of this standard has had the following impacts on the financial statements:

(a) Changes to accounting policies

The new accounting policies, as amended for IFRS 9, are set out in note 1 (b) and (d). A summary of the changes is as follows:

(i) Financial assets and financial liabilities

The classification of financial assets has changed such that the assessment is based on the Company's business model for managing the financial assets. Financial assets are held in a business model that is managed and whose performance is evaluated on a fair value basis. These are held at fair value through profit or loss. See note 1(b) for more detail.

(ii) Amounts due from LBG undertakings

Under IAS 39, amounts due from LBG undertakings were held at amortised cost. Under IFRS 9, certain amounts due from LBG undertakings continue to be held at amortised cost, but some are now held at fair value through profit or loss. The classification is dependent on whether those amounts due from LBG undertakings are held in a business model whose purpose is to hold assets to collect the contractual cash flows and where the cash flows represent solely payments of principal and interest (resulting in amortised cost classification) or where the assets are held in a business model that is managed and whose performance is evaluated on a fair value basis (resulting in a mandatory fair value through profit or loss classification).

Amounts due from LBG undertakings continue to be subject to impairment. However, the "incurred loss" approach under IAS 39 has been replaced with an "expected credit losses" approach under IFRS 9, as described in note 1(d).

(iii) Impairment

IFRS 9 results in changes to the impairment approach for financial assets at amortised cost. Under IAS 39, an "incurred loss" approach was used, which required a charge for impairment when events or circumstances indicated that amounts were not recoverable. The approach under IFRS 9 is an "expected credit loss" approach, which requires an assessment of expected future losses on initial recognition. For more detail see note 1(d).

(b) Opening reserves on transition

As a result of the adoption of IFRS 9 there has been no impact to opening reserves as no changes to classification or impairment were required.

(c) Classification of financial assets and liabilities on initial application of IFRS 9

There have been no changes to the classification or carrying amounts of financial liabilities as a result of adopting IFRS 9. There have been no changes to the classification of financial assets as a result of adopting IFRS 9.

(d) Loss allowance on transition

At 31 December 2017 there were no impairment losses under IAS 39. As a result of the adoption of IFRS 9 there continue to be no impairment losses.

14. Future accounting developments

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

15. Events after the reporting date

There are no events after the reporting date requiring disclosure in these financial statements.