Registration number: 3507379

Invesco Pensions Limited

Strategic Report, Directors' Report and Audited Financial Statements

for the Year Ended 31 December 2019

Invesco Pensions Limited

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Invesco Pensions Limited

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Directors	J. A. Bartlett (Non-Executive)
	R. D. Court (Non-Executive)
	C. J. Fitzgerald
	M. Goodale (Non-Executive)
	A. J. Trotter
Company secretary	Invesco UK Holdings Limited
Registered office	Perpetual Park Perpetual Park Drive Henley-on-Thames Oxfordshire RG9 1HH
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

Invesco Pensions Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their annual strategic report for the year ended 31 December 2019 on the affairs of Invesco Pensions Limited ("the company"). The company's ultimate parent is Invesco Limited. In this report and the financial statements, Invesco Ltd and its subsidiaries are referred to as "the group". The company is a private company limited by share capital. The company is incorporated and domiciled in the United Kingdom.

Principal activities

The company's principal activity is to provide insurance products to trustees of pension schemes registered in the UK, through which trustees can access Invesco funds, either directly or through reinsurance of the investment element of policies underwritten by third party life insurers. The company is authorised by the Prudential Regulation Authority ("PRA") and is regulated by the Financial Conduct Authority ("FCA") together with the PRA.

Strategy

The primary objectives of the company are as follows:

- Provide valuable products and services to customers while providing its shareholder with an economic return.
- Maintain the stability of the company balance sheet so as to:
  - provide a secure and consistent level of cover for its policyholder liabilities; and
  - minimise the risk that financial support will be required from the wider group.
- Sustain the unit-linked assets under management of the company through sales of new business and increased persistency of existing policies.

While the Board also aims to deliver a stable return on investment to the company's shareholder, it will tolerate moderate year on year variances in profit as long as these variances do not have a material, adverse impact on the primary objectives listed above.

In considering the primary objectives of the company the board has established a set of specific priorities for the near term, which are to:

- enhance the attractiveness of the Global Targeted Return ("GTR") Fund to investors;
- understand and meet needs of Defined Benefit pension funds in United Kingdom;
- execute key Cultural Change and Diversity and Inclusion initiatives;
- explore potential insurance expansion opportunities through partnerships with large insurance groups; and
- incorporate Environmental, Social and Governance ("ESG") initiatives into the company's product offerings.

Purpose and key stakeholders

The company forms part of the Invesco Limited group in Europe, the Middle-East and Africa ("EMEA group"), a larger business unit headed by Invesco UK Limited, the immediate parent company. Invesco Pensions Limited is governed by its own Board of Directors ("the board"), and committees established by the Board, but substantially all its business and support activities (including risk, compliance and internal audit functions) are carried out on its behalf by the EMEA group within governance frameworks established for the group as a whole and shared with other operating and regulated companies in the region. The frameworks include the provision of risk management systems and internal controls using a 'three lines of defence' model.

The company shares a clear purpose with the group; to help people get more out of life by delivering a superior investment experience. The group focuses on four key strategic pillars that are designed to sharpen focus on policyholder needs, further strengthen every aspect of the business over time and help ensure its long-term success:

1) Client delivery – the group will deeply understand client needs and deliver an experience that is of the highest quality and uniquely targeted at them.
2) Advisory services – the group's clients want service beyond investment manufacturing, and the group will turn its wide range of investment and technology capabilities into value-added advisory services.
3) Investment outcomes – the group will help clients around the world achieve their desired investment outcomes and a superior investment experience using its comprehensive range of investment capabilities.
4) Talent & culture – the group will strengthen its ability to execute for clients as it drives toward greater alignment on a narrow set of priorities, delegates decision-making to those close to the information and holds itself accountable for outcomes.

In delivering on these priorities to policyholders, and considering the requirements of Section 172 of the Companies Act 2006, the board has due regard for the key stakeholders of the company, set out as follows. As part of these considerations we engage with each of the stakeholders listed, as appropriate, and include their comments and feedback when making decisions which affect the strategy of the company.

Our stakeholders	Why are they important to us?	How we are engaging?
Policyholders	The success of the company is driven by its ability to deliver successful outcomes for its policyholders - delivering products that meet investors' needs, generating investment returns in line with fund objectives and policies and safekeeping of policyholders' assets.	Gaining a deep understanding of our policyholders' needs and working collaboratively with them is essential in delivering a superior investment experience. We therefore place significant emphasis on policyholder engagement, from being highly responsive to their instructions and enquiries to introducing new initiatives, ensuring cutting edge and relevant communications. Effective engagement relies on an unrivalled understanding of our policyholders which we achieve through dedicated teams working directly with our policyholders, and investment consultancies, to meet their needs - from Defined Benefit pension schemes to investment platforms.
The industry	The industry is undergoing continual change and it is crucial that the company continues to remain focused on strategic interactions with policy makers and regulators to ensure that we understand, are ready for and can react to change as it occurs.	The company ensures that external engagement, internal assessment, and change management are embedded in our strategy to effectively enable Invesco to be at the forefront of regulatory expectations and industry best practice, and that policyholder and intermediary due diligence is aligned with regulatory expectation.
Suppliers	Suppliers are key partners in enabling the company, and the wider group, to provide services to policyholders. We rely on the use of external service providers to supplement our own infrastructure. This enables us to benefit from their expertise or specialist skills, as well as accessing lower costs for service delivery.	The company engages pro-actively with external service providers and also applies appropriate oversight and monitoring, including a due diligence and vendor management process, which sets out the high standards and behaviours that we expect from them. This requires that the prohibition of forced labour and human trafficking, together with the ethical and responsible sourcing of goods or services, are incorporated in to their processes. The company is committed to fair treatment of suppliers and applies a supplier payment policy.
Group	As an entity within the Invesco group, the company shares certain revenues with other group entities and also benefits from support, such as access to centralised group functions, employee expertise and shared costs. As the indirect shareholder of the company, the group provides the capital and expects a return on the same.	As the company effectively relies on the support services and capital provided by the group, engagement is inherently both frequent, at board level with regularboard reporting, and continuous, at an operational level where activities are both undertaken and monitored by group employees through the centralised group functions. The group employs various formal and informal communication channels and forums to engage with employees, such as briefings, topical business presentations, news on the intranet and a programme of town hall meetings. In addition the company has recently commenced paying dividends out of excess capital.

The wider community	The importance of considering environmental, social and governance ("ESG") issues as part of a robust investment process is growing with the increasing risk of climate change. Additionally, the company's corporate stewardship programs emphasise our responsibility to help sustain a healthy, clean environment for future generations.	Our environmental, social and governance policies, which we share with the group, ensure climate change, as well as other environmental and social issues are integrated into our investment decisions. However, we recognise the importance of co-operation across a wide range of stakeholder groups, including policyholders, companies and policy makers and we are taking proactive steps to do so across the organisation and beyond. Operationally, the group supports its local communities through volunteering and charitable fundraising activities and seeks to minimise its impact on the environment through a number of initiatives, as set out on page 7.

Business review

The company's revenues are directly influenced by the level and composition of the assets under management ("AUM"). The AUM is defined as the total market value of the policies contracted to the company. The decrease in AUM predominantly reflects net outflows mainly from the GTR Fund, partially offset by favourable market movements during the year. The GTR fund had closing AUM of £6.9bn (2018: £7.8bn), comprising 85% (2018: 87%) of total AUM.

The company's key financial and other performance indicators during the year were as follows:

	2019 £ 000	2018 £ 000	Change %
As at 1 January	8,938,802	9,199,517	(3)
Inflows	1,361,192	1,691,302	(20)
Ouflows	(2,418,183)	(1,401,573)	73
Net flows	(1,056,991)	289,729	(465)
Market (losses)/gains	301,621	(550,444)	(155)
As at 31 December	8,183,432	8,938,802	(8)

After due consideration of the company's position, dividend policy and stakeholders, the board determined that it was appropriate for the company to make its first dividend of £45.0m.

With effect from 1 April 2019, the group transfer pricing model was applied to the company with regards to the supply of distribution services, to reflect the renegotiation of the existing arrangement with a fellow subsidiary. As a result the company's net operating expenses increased by £16.0m in relation to the additional proportion of revenues shared.

Key performance indicators

	2019 £ 000	2018 £ 000	Change %
Profit before income tax	16,727	32,830	(49)
Shareholder's funds	91,370	122,946	(26)
SCR ratio %	238	146	

Profit before income tax has decreased from £32.8m to £16.7m (49% decrease) principally as a result of the application of the transfer pricing model as discussed above. Management fees, however, also decreased from £59.8m to £57.6m as a result of lower average AUM throughout the year.

The ratio of own funds to the Solvency Capital Requirement (SCR) increased from 146% to 238% due to a reduction in the SCR resulting from a decrease in projected future profits.

The reduced profit and comprehensive income for the year, which amounted to £13,424,000 (2018: £26,393,000), along with dividends paid during the year of £45,000,000, resulted in shareholder's funds decreasing by 26% to £91,370,000 (2018: £122,946,000).

Investment performance

The investment performance, presented as the actual cumulative gross return for each of the largest 5 funds, is as follows:

Cumulative gross returns (%)

	Fund Value at 31 December 2019			
	£ 000	1 Year	3 Year	5 Year
Invesco Global Targeted Return Pension Fund	6,924,133	4%	3%	10%
Invesco Balanced Risk 8 Pension Fund	344,949	14%	18%	26%
Invesco UK Equity Pension Fund	155,146	8%	6%	19%
Invesco Balanced Risk 10 Pension Fund	105,335	18%		
Invesco Managed Pension Fund	99,574	18%	18%	51%

Note, Invesco Balanced Risk 10 Pension Fund has not operated for 3 and 5 years.

Environmental, social and governance policies

As a global investment management organisation, the group is committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients and policyholders. The group recognises the importance of considering environmental, social and governance ("ESG") issues as part of a robust investment process.

The group measures and provides appropriate oversight by having a robust governance process to hold itself accountable for meeting corporate social responsibility commitments.

Operating sustainably and responsibly is fundamental to the company's and group's corporate social responsibility mission. Environmental management processes are maintained which meet international standards such as ISO 14001 and comply with other relevant compliance obligations as part of our commitment to continuous improvement in environmental management. Efforts include:

- Principles for Responsible Investment, as supported by The United Nations, is an international network of investors working together to incorporate ESG (environmental, social, governance) issues into their investment processes.
- The group is a constituent of the FTSE4Good Index Series. The Series communicates the performance of companies which meet global corporate responsibility standards to help potential clients and policyholders make investments in organizations with good records of corporate social responsibility.
- Carbon Disclosure Project (CDP) is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts. The group participates in the CDP, reporting on carbon emissions and reduction management processes.
- The group is extending its ongoing commitment to environmental stewardship by ensuring that all corporate travel is climate-neutral.

Environmental, social and governance policies (continued)

The group in the UK has quadruple certification of UK properties under the Carbon Trust Standard, and has exceeded its targets for reducing carbon emissions, water use and waste. The company follows the group practice in this regard.

Governance, principal risks and uncertainties

The company has a robust risk governance structure and risk management framework which is considered by the board to be appropriate to the size, nature and complexity of the business. These arrangements are characterised by a matrix management model across group functions and regions. The risk management framework is supported by an established risk and control self-assessment programme, which informs functional and regional senior management and the board on the risks managed by the business. These are reviewed by the Audit & Risk Committee (the "ARC"), which has been established to monitor the risks within the company's business and to report to the board.

Governance

Board and Committee structure

The board comprises two executive and three non-executive directors and has oversight for the company. There is a schedule of matters reserved for decision by the board and the ARC has specific terms of reference.

Risk Management Framework

The company's risk strategy is focused on implementing an effective framework to manage risk. At a high level the risk management framework is designed to operate as follows:

- The board approves and monitors the company's risk appetite.
- The individual business lines and functional areas identify, assess, mitigate and monitor risks to which they are exposed and implement controls to manage risks according to the risk appetite.
- The Independent Risk Functions (which include Operational Risk and Investment Risk Oversight) and Compliance oversee and assist the business units to ensure that this is the case and to report on risks and control exceptions to the ARC.

The reporting and escalation processes enable the board and the ARC to review and challenge the extent to which the business is operating within its risk appetite, where necessary to direct action to reduce risks to within risk appetite, and to assess any consequent impact on capital adequacy and capital planning.

The risk management framework also provides essential tools to enable the company to assess its risks and capital requirements under the Own Risk and Solvency Assessment ("ORSA").

The risk management framework is based around the three lines of defence model, and is the primary means to structure roles, responsibilities and accountabilities for decision making, risk and control in order to achieve effective governance, risk management and assurance. The framework is considered by the board to be a model that fits well with the nature and structure of the company's activities.

Governance (continued)

First line of defence: Business

The business is the primary control function and is accountable and responsible for the day to day activities, processes, risks and controls. Business management are responsible for ensuring that controls are designed and operate effectively as part of the day to day operations.

As the first line of defence, operational management owns and manages risk. They are also responsible for implementing corrective actions to address any identified process and control deficiencies.

The business regularly assesses all key risks for both the impact and likelihood of the risk occurring along with any key operational known gaps and the progress to alleviate such gaps.

Second line of defence: Independent Risk Function and Compliance

Both the Operational Risk team and the Investment Risk Oversight team are independent risk management functions that support the first line risk owners in assessing, managing, monitoring and reporting on the status of risks. Risks that are assessed by the business or the management team to be outside of the company's risk appetite, or which may not meet regulatory requirements, are reported together with recommended actions for their reduction to an accepted tolerance level to the board and its committees in order to ensure that appropriate attention is paid to these risks. The risk teams provide reports to the ARC as well as to senior management.

Compliance's aim is to be recognised as a pro-active business partner that fully supports initiatives and strategies whilst mitigating regulatory risk. This will include the interpretation and impact of relevant regulations, best business practice, identifying and monitoring regulatory risk and providing appropriate technical advice, guidance, challenge and training. Compliance provides reports to the ARC as well as to senior management.

Third line of defence: Internal Audit

Internal Audit provides an objective and independent review of the effectiveness of the overall system of internal control, including in its scope the effectiveness of the Compliance and Independent Risk Management functions. Internal Audit reports to the ARC and to senior management.

The ARC has the responsibility for overseeing the financial reporting, risk management and internal control environment and reports to the board.

Principal risks and uncertainties

The board accepts the risks to its objectives as a necessary part of carrying out its business and of offering and maintaining unit-linked investment arrangements. In line with its objectives, the board therefore seeks to hold sufficient capital to be able to meet regulatory capital requirements under normal and stressed conditions.

The company's primary risk exposures relate to any areas of uncertainty which could either:

- adversely affect the solvency margin;
- adversely affect the company's ability to fund the overhead costs of running the business;
- adversely affect the operational performance of the business with respect to administering the in-force Trustee Investment Plan (TIP) policies or managing the AUM;
- lead to the company breaching its regulatory and legal obligations, including the need to meet regulatory solvency requirements; or
- affect the ability of the company to return sufficient profit for its shareholders.

As such, the main areas of risk to which the company is exposed can be broadly classified as follows:

Market risk

The level of the company's AUM is influenced by the growth or contraction of the underlying markets. The AUM is also influenced by investment performance and net customer investment. Revenue is directly related to AUM, and therefore the principal risk to the company is market risk, representing the movement in AUM due to underlying market movement. Exposure to market risk is monitored by monthly total AUM reporting and considered in the context of relative performance.

Interest rate risk

The risk of volatility in the interest rate used to discount the cash-flows to get the Present Value of Future Profits ("PVFP") and the risk margin for solvency capital requirements.

Lapse risk

The risk that the level of AUM held by the company falls as a result of an increase in the level of partial transfers out and / or full scheme exits, which would again lead to a reduction in the expected level of annual management charge ("AMC") (net of fund related expenses).

Solvency risk

The risk that the company has insufficient capital resources to fund future growth and meet the statutory minimum capital requirement ("MCR") and solvency capital requirement ("SCR") needed under the Solvency II regulatory regime.

Principal risks and uncertainties (continued)

Operational risk

The risk(s) that the operational performance of the company or its outsourced service providers deteriorates. This includes the occurrence of an adverse operational risk event. Different operational risk scenarios can result in a range of adverse outcomes such as higher ongoing expenses, large one-off costs, reputational damage, etc. The Operational Risk team facilitates the process of identifying risks and implementing suitable controls at the individual business lines and functional areas through an operational risk framework which is described further in the section 'Risk Management Framework', set out in more detail on page 8.

Conduct risk

The risk reflects the attitude and behaviours of employees of outsourced providers that influence decisions and actions which in turn impact the outcomes for our policyholders and shareholders. By ensuring that good behaviours are understood and promoted, and conduct risk is measured objectively, management is able to monitor the expected behaviours in relation to conduct risk and to take appropriate action to mitigate these where appropriate.

Liquidity risk

Liquidity risk is defined as the risk of not holding enough proportion of assets in a fund or policyholder portfolio that can be liquidated quickly and within a limited impact on price to meet its actual redemption/liability profile.

Counterparty risk

Counterparty risk is defined as the risk of loss caused by the failure of a counterparty to perform its contractual obligations. The company maintains a high level of oversight over counterparties to which it or its policyholders or funds may have exposure and will take action to avoid circumstances where there is a risk of counterparty failure.

Management of principal risks and uncertainties

The management of principal risks and uncertainties involves the following activities:

Quarterly Risk and Control Self-Assessment Process

The Operational Risk team meets with the business lines and functional areas quarterly to assess and challenge the business units' assessment of their own risks. This ensures that existing and emerging risks are identified, assessed and quantified and that controls are appropriate to ensure risks are managed to within the risk appetite. Risks that are assessed as being outside of the company's risk appetite by the business are escalated to the Operations Committee and potentially to the ARC for further discussion, escalation and challenge to ultimately determine appropriate follow on actions.

The Operational Risk Team uses the individual business line and functional area Risk Profiles to generate a Risk Register. All risks are categorised using the risk categories per the company's Risk Appetite Statements and Key Risk Indicators ("KRIs"). This risk taxonomy is used as the basis for identifying the operational risk scenarios as part of the ORSA process, and risk data informs the quantification of the potential impact and likelihood of the ORSA risk capital scenarios.

Principal risks and uncertainties (continued)

Capital Scenarios

Capital scenarios are quantified by using all aspects of the risk framework, including input from risk owners and subject matter experts within the business. Scenario analysis conclusions are input back into the overall risk framework to determine control, business and process improvements that may be appropriate.

Incident Reporting

The Operational Risk team manages the incident reporting process. There is no de minimis threshold with incidents being reported regardless of whether they result in loss or not. A report is generated for each reported incident which includes details of the incident and action taken to rectify or address it together with the time to resolve and a business owner. The Operational Risk team tracks the status of reported incidents through to completion. Data from the incident reporting log is used to inform the scenario quantifications as part of the ORSA process.

Key Risk Indicators

The company's KRIs are a series of metrics that measure adherence to the risk appetite statement as set by the board. The Operational Risk team collates the metrics from across all the business lines and functional areas on a monthly basis, reporting trends and issues to the ARC quarterly or more frequently as appropriate.

The indicators are all quantitative in nature and are monitored within thresholds which identify where risks may be escalating. The KRI's measure whether operationally the risk appetite statements are being met and cover all aspects of the business from finance to investment to product. Each indicator has a red, amber or green status that when triggered, is investigated and reported on by the Operational Risk team to the ARC, along with any other trends or themes that emerge from the wider operational risk framework. Each KRI links to the operational risk categorisation mechanism which links KRI's and the risk appetite statement to risk assessments and the incident management process.

Control Improvements

One of the key outputs from the risk process relates to making improvements in the control environment. Through the identification of areas of deficiency or indeed, enhancements, the business continues to develop enhanced processes and improved risk mitigation techniques.

Managing the impact of Brexit

On 31 January 2020, the UK left the European Union and entered into a transition period during which the European Union and the UK will negotiate the terms of their future relationship. During this time the UK will no longer be represented or have voting rights in EU institutions and decision-making fora but will continue to abide by the same rights and obligations as it does currently as a Member State. EU law will continue to apply in the UK and any changes to EU law that take effect during the transition period will also apply to the UK. Passporting rights will continue as before, as will relevant consumer rights and protections derived from EU law. It is possible for the transition period to be extended for up to two-years, if both sides agree to do so. The deadline for such an agreement is 30 June 2020.

As negotiations between the UK and EU have only just begun, there is still considerable uncertainty about the terms of the future relationship. Although the (non-binding) Political Declaration that accompanied the Withdrawal Agreement committed both sides to negotiating a comprehensive and balanced Free Trade Agreement (FTA), the detail, including that of financial services, remains to be determined. Currently, Invesco's UK and EU 27 subsidiaries provide investment and distribution services to both EU and UK based fund management companies and clients. As a result of Brexit, there are currently no anticipated significant changes which impact this.

Invesco operates a project group across its European affiliates, which evaluates the impact of the various potential Brexit scenarios on client relationships and their implications for the group, including the company.

This project group has considered a range of contingency plans to mitigate any potential impacts on Invesco's clients. Invesco will continue to monitor developments concerning the negotiations and the likely impact of Brexit and will communicate its proposals aimed at mitigating the effects of Brexit, as appropriate, once there is more certainty as to the outcome of these matters. We would also highlight, however, that whilst recognising the risk to the group and potential indirect impact on the company, as the company provides insurance products to trustees of pension schemes registered in the UK only, the direct impact of Brexit is not expected to be significant.

Managing the risks presented by the outbreak of Coronavirus

The spread of a new coronavirus (COVID-19) disease has caused significant volatility within the global economy and financial markets. To date, the primary focus of the group's response has been threefold:

• to ensure the health and safety of our employees;

• to preserve our ability to serve our policyholders; and

• to appropriately manage policyholder assets in a highly dynamic market environment.

The group has established cross-functional teams in each region (Americas, Asia Pacific and EMEA) that are monitoring the situational globally and regionally. These teams, which include representatives from Distribution, Portfolio Management, Trading, Technology/Operations, Human Resources, Business Continuity, Compliance, as well as other areas, are taking steps to ensure an appropriate and effective response during a highly fluid situation. The company follows the group's response in this regard.

We have considered whether there are any financial contingencies, in addition to those disclosed in Note 22, and have determined that there are no commitments, contingent liabilities or balances after the reporting period to be disclosed at this stage. The company's exposure to market risk is set out in in Note 16.

Managing the risk of climate change

The risks and impacts of climate change to our business and customers cannot be understated. Global average temperatures over the last five years have been the hottest on record. Despite the UNFCCC Paris agreement, the current trend of increasing CO_2 emissions is expected to continue with global temperatures likely to exceed pre-industrial levels by at least 2 degrees centigrade and weather events (floods, droughts, windstorms) increasing in frequency and severity. Disclosure of potential impacts against various climate scenarios and time horizons will become increasingly common for all companies.

Whether the global economy is rebuilt on less carbon intensive foundations or the temperature continues to escalate, investors will be unable to avoid its impacts. Our environmental, social and governance policies ensure climate change, as well as other environmental and social issues are integrated into our investment decisions. However, addressing climate change will require co-operation across a wide range of stakeholder groups, including policyholders, companies and policy makers.

Going concern

The company has adequate financial resources and sizeable AUM on behalf of policyholders. Consequently, the directors believe that the company is well placed to manage its business risks, as set out in this report, successfully in the future and that the company has adequate resources to continue to operate for the foreseeable future, which is a period not less than one year from the date of signing of these financial statements. In making this assessment, the directors have taken account of the recent Coronavirus pandemic and the impact this may have on the projected AUM, revenues and expenses of the company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have carried out an assessment of the key risks facing the company and expect it will continue to be viable for at least the next five years.

Assessment of prospects
The company's strategic and financial planning processes are driven by the board with input by group, who consider the time horizon of five years sufficient to effectively identify and incorporate any principal risks or uncertainties that could materialise. The annual ORSA process considers and includes robust forecasting techniques overseen by a dedicated management team.

The forecasting techniques employed include key revenue assumptions such as growth from leadership in core markets and reductions from policy lapses, movements in operating revenue margins, planned business activity and industry-wide opportunities and pressures. Key assumptions in costs include costs driven by regulatory requirements and other internal and external factors.

Progress against financial budgets and key objectives are reviewed throughout the year by both the board and management along with periodic reviews of the capital and dividend policies.

The assessment includes company specific forecasts which have been made over the same timeframe. The results of these forecasts suggest that the company will remain solvent for the foreseeable future.

Assessment of viability
In view of the regulatory requirements of the ORSA process, the board's assessment of viability takes account of the current business profile and financial position of the company, the strategic plans and financial forecasts and the principal risks and uncertainties of the company. An assessment is made of the potential financial impact of stress-testing certain extreme but plausible risk scenarios, such as adverse macro events, that would significantly affect the company. For the 2019 ORSA, stress tests included lapse, new business, economic, expense, operational and regulatory change scenarios. More recently, in light of the Coronavirus pandemic, the severe macroeconomic stress scenarios have been updated to ensure that they appropriately reflect recent market volatility, although it is acknowledged that the full extent and length of the current situation cannot yet be predicted with any certainty.

The results of the assessment described above, and the forward-looking projections incorporated, indicate that the IUK group and the company are appropriately capitalised and projected to remain so going forward, even under stressed conditions. Based on this analysis, the directors have a reasonable expectation that the company will be able to continue in operation and remain viable over the next five years.

Dividend policy

The company does not have a target dividend pay-out ratio but will seek to pay a regular dividend subject to the board being satisfied as to the stability of the company's current and projected solvency position, taking into account any future known or anticipated events on its financial position.

Future strategy

The company's business objectives are set out in the Strategy section of this report. The board will continue to pursue those objectives and contribute where possible to the wider group's long term strategy to strengthen its leadership in core markets, execute in high growth areas, and to deliver an elite set of capabilities for the benefit of policyholders and shareholders. In doing so, the company will also continue to invest in its key strengths, including providing valuable products and services to customers and sustaining the unit-linked assets under management through sales of new business.

Further information on the group's future strategy is available on our website (https://www.invesco.co.uk/uk/news-and-insights/times-change).

Approved by the Board on 2 April 2020 and signed on its behalf by:

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Invesco UK Holdings Limited
Company secretary

Invesco Pensions Limited

Directors' Report for the Year Ended 31 December 2019

In preparing this report, the directors have considered the requirements of the Companies Act 2006 and certain disclosures which have already been included in the Strategic Report have not been repeated. These include the disclosure of future developments and principal risks and uncertainties.

Directors' of the company
The directors, who held office during the year and up to the date of this report, were as follows:

J. A. Bartlett (Non-Executive)

R. D. Court (Non-Executive)

C. J. Fitzgerald

M. Goodale (Non-Executive)

G. J. Proudfoot (resigned 31 July 2019)

A. J. Trotter

On 21 February 2019, A. Evans resigned as secretary and Invesco UK Holdings Limited was appointed.

The company has no employees.

Dividends
Total dividends of £45,000,000 were paid during the year (2018: £nil). The directors do not recommend payment of a final dividend. On 25 March 2020, an interim dividend was paid of £30,000,000 (£1.51 per ordinary share).

Important non adjusting events after the financial period
The outbreak of novel Coronavirus (COVID-19) in China in January 2020 and its subsequent spread to other countries, including the United Kingdom, has led to significant investor uncertainty across the globe. The recent market volatility has had a direct impact on the level of the company's AUM, as market risk is one of the company's principal risks as set out in the Strategic Report. As at 15 March 2020, the company's Solvency Ratio was estimated at 247%. A continued rise in the number of COVID-19 infections, or a prolongation of the outbreak, may further increase uncertainty and result in significant adverse economic effects.

Directors' liabilities
Invesco Ltd., the ultimate parent company, has taken out indemnity insurance for all of the directors of the company in connection with their roles and responsibilities as director and in accordance with the requirements and limitations of Section 234 of the Companies Act 2006. This indemnity is in force at the date of signing of these financial statements.

Disclosure of information to the auditors
Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The board of directors of Invesco Pensions Limited consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its member in decisions taken during the year ended 31 December 2019. All decisions, short-term and long-term, have been taken with due regard for the stakeholders as has been detailed in the Strategic Report.

Approved by the Board on 2 April 2020 and signed on its behalf by:

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Invesco UK Holdings Limited
Company secretary

Invesco Pensions Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Invesco Pensions Limited

Our opinion

In our opinion, Invesco Pensions 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 for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and audited financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income - technical account - long term business, the Statement of Comprehensive Income - non-technical account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

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, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

Overview

Materiality

• Overall materiality: £0.8 million (2018: £1.6 million), based on 5% of profit before tax for all balances other than policyholder assets and liabilities and associated income statement line items, for which £82.9 million (2018: £90.7 million) is applied, based on 1% of total assets.

• In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council, we have applied a higher materiality to policyholder balances solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead to a reclassification between line items within assets and liabilities.

Audit Scope

• We have performed a full scope audit of Invesco Pensions Limited in accordance with our materiality and risk assessment.

Key Audit Matters

• Risk of fraud in revenue recognition.
• Impact of Covid-19 subsequent event.

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Prudential Regulation Authority's regulations and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue of the company, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of underlying assets. Audit procedures performed by the engagement team included:

• Discussions with the Board, management, internal audit, senior management involved in Risk and Compliance functions and the company's legal advisors/function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

• Reading key correspondence with the Prudential Regulation Authority in relation to compliance with laws and regulations;

• Reviewing relevant meeting minutes including those of the Audit and Risk Committee, and Board of Directors;

• Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;

• Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and

• Testing disclosure note 16 affected by the regulatory solvency requirements for capital risk management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

Key audit matter

Risk of fraud in revenue recognition

Auditing standards state that there is a rebuttable presumption that the auditor will identify the risk of fraud in revenue recognition as a significant audit risk. The principal revenue streams in which we initially consider the risk to be significant is where amounts are judgemental when based on the valuation of underlying assets.

There is a presumption that management always has the opportunity to manipulate revenue through top up manual journals, therefore we have focused on testing manual revenue journals. Our detailed planning process involves an assessment of each material revenue stream to consider the risk of fraud in revenue recognition further.

How our audit addressed the key audit matter

We have performed the following with regards to our risk of fraud in revenue recognition:

• Obtained an understanding of the activities performed by and the controls in place at the service organisations, where applicable;

• Performed and reviewed detailed variance analysis on revenue accounts; and

• Tested the controls around management fee calculations;

Additionally, we have performed the following substantive testing:

• Considered the accounting treatment and the accounting policies for the recognition of these revenues;

• Tested a sample of journal entries;

• Recalculated a sample of management fees for Gross, Net and Class II fees;

• Recalculated a sample of investment income by independently obtaining the dividend price of each investment and multiplying it by the unitholding independently confirmed;

• Recalculated a sample of rebates received from Invesco Fund Managers Limited by confirming shareholdings independently and recalculating the daily rebate accrued; and

• Recalculated net unrealised gains on investments based on the year end by comparing the costs to the year end market values of the underlying investments. We also independently repriced all underlying investments.

No exceptions were noted from the procedures we performed.

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

Key audit matter

Impact of Covid-19 subsequent event

As disclosed in note 23, subsequent to the balance sheet date and up to the point of reporting there has been a global pandemic of a new strain of Coronavirus (Covid-19) which has caused significant economic disruption. This outbreak and the subsequent spread of the virus does not provide additional evidence about the situation that existed at 31 December 2019, and it is therefore assessed to be a non-adjusting event.

Management have ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date. However, events after the reporting date can provide additional information about the uncertainties that existed at the reporting date.

Subsequent to the year end management have performed procedures to assess the financial and operational impacts of Covid-19 which include:

• Operation of a threefold response risk management framework to ensure the health and safety of employees, preserve the company and group's ability to serve its clients, and appropriately manage client assets;

• Frequent monitoring of the company's solvency coverage ratio and other performance indicators through regular cross-functional team crisis management meetings and performance and evaluation of stress tests; and

• Actively managing the company's capital and liquidity position including monitoring of asset credit quality.

Management has concluded that the Company is, and will continue to be, solvent and will continue to meet its capital requirements through this pandemic and continues to be a going concern. Management has furthermore concluded that no commitments, contingent liabilities or balances after the balance sheet date are to be disclosed. However, as the situation is rapidly evolving it is not possible to quantify the financial impact of the outbreak on the company at the point of reporting.

How our audit addressed the key audit matter

We assessed management's approach to the impact of Covid-19 on the Company and the financial statements by performing the following procedures:

• Evaluated management's stress and scenario testing and challenged management's key assumptions. We reviewed the controls and governance over the production of solvency monitoring information and considered its consistency with other available information and our understanding of the business;

• Attended the Audit and Risk Committee meeting and the Board meeting which considered Covid-19 in advance of reporting;

• Reviewed management's assessment of the impact of Covid-19 on the operations of the Company, including reliance on outsourced providers;

• Reviewed regulatory correspondence; and

• Assessed the disclosures made by management in the financial statements and checked consistency of the disclosures with our knowledge of the company based on our audit.

Based on the work performed and the evidence obtained, we consider the disclosure of the potential impact of Covid-19 in financial statements to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality

£0.8 million (2018: £1.6 million) for all balances other than policyholder assets and liabilities and associated income statement line items, for which £82.9 million (2018: £90.7 million) is applied.

How we determined it

5% of profit before tax for all balances other than policyholder assets and liabilities, and associated income statement line items and 1% of total assets for policyholder related financial statement line items.

Rationale for benchmark applied

The company's primary objective is to generate profit through earning investment management fees. As such we deem that profit before tax is the most appropriate benchmark in determining materiality.

The Company manages pension assets on behalf of its clients in a series of unit linked pooled and segregated funds. As a result, any liability owed to its clients is covered by the assets held by the entity and the investment return derived on the associated assets is offset by the change in provisions for investment contract liabilities. In accordance with guidance on the audit of insurers in the United Kingdom issued by the Financial Reporting Council, we have applied a higher materiality based on 1% of total assets solely for the purpose of identifying and evaluating the effect of misstatements that are likely only to lead a reclassification between line items within assets and liabilities.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8.3 million (2018: £4.5 million) on policyholder assets and liabilities and £0.08 million (2018: £0.08 million) for all other balances as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

• the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, 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.

Independent Auditors' Report to the Members of Invesco Pensions Limited (continued)

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 26 November 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2013 to 31 December 2019.

Philip Watson

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Philip Watson
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

2 April 2020

Invesco Pensions Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019
Technical Account - Long Term Business

	Note	Year Ended 31 December 2019 £ 000	Year Ended 31 December 2018 £ 000
Investment income		177,730	199,533
Net gains/(losses) on investments		301,621	(550,444)
Fees from fund management		57,658	59,823
Total income/(expense)	4	537,009	(291,088)
Change in the long term business provision		(1)	28
Change in the reinsurers' share of the long term business provision		1	(28)
Change in the technical provision for linked liabilities		(479,225)	351,110
Change in technical provision net of reinsurance	18	(479,225)	351,110
Net operating expenses	5	(42,358)	(28,321)
Tax attributable to the long term business	8	(3,056)	(6,222)
Balance on the technical account long term business		12,370	25,479

The above results were derived from continuing operations.

Invesco Pensions Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019
Non-Technical Account

	Note	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Balance on technical account long term business		12,370	25,479
Tax attributable to balance on the long term business technical account	8	3,056	6,222
Balance on the technical account long term business gross of tax		15,426	31,701
Interest from parent undertaking	4	701	705
Investment income	4	600	424
Profit before income tax		16,727	32,830
Income tax expense	8	(3,303)	(6,437)
Profit and comprehensive income for the financial year		13,424	26,393

The above results were derived from continuing operations.

Invesco Pensions Limited

(Registration number: 3507379)
Statement of Financial Position as at 31 December 2019

Assets	Note	Year ended 31 December 2019 £ 000	Year ended 31 December 2018 £ 000
Assets held to cover linked liabilities	10	8,183,432	8,938,802
Reinsurers' share of technical provisions	10	216	215
		8,183,648	8,939,017
Trade and other receivables			
Due from other group undertakings	9	38,470	34,113
Management fees receivable		385	885
Prepayments and accrued income	11	5,240	5,822
		44,095	40,820
Other assets			
Cash and cash equivalents	12	66,618	96,411
Total assets		8,294,361	9,076,248
Equity			
Capital and reserves			
Share capital	13	19,876	19,876
Share premium		35,000	35,000
Retained earnings		36,494	68,070
Total shareholder's funds attributable to equity interests		91,370	122,946
Liabilities			
Technical provisions			
Long term business provision		216	215
Technical provisions for linked liabilities		8,183,432	8,938,802
		8,183,648	8,939,017
Creditors			
Other creditors including taxation and social security	14	19,343	14,285
Total liabilities and equity		8,294,361	9,076,248

Approved by the Board on 2 April 2020 and signed on its behalf by:

AJT

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A. J. Trotter
Director

The notes on pages 33 to 54 form an integral part of these financial statements.

Invesco Pensions Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	19,876	35,000	68,070	122,946
Profit and comprehensive income for the financial year	-	-	13,424	13,424
Dividends	-	-	(45,000)	(45,000)
At 31 December 2019	19,876	35,000	36,494	91,370

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	19,876	35,000	41,677	96,553
Profit and comprehensive income for the financial year	-	-	26,393	26,393
At 31 December 2018	19,876	35,000	68,070	122,946

1 General information

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:
Perpetual Park
Perpetual Park Drive
Henley-on-Thames
Oxfordshire
RG9 1HH

These financial statements were authorised for issue by the Board on 2 April 2020.

2 Accounting policies

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

Basis of preparation
The financial statements have been prepared on a going concern basis, under the historic cost convention as modified for the revaluation of financial investments, and in accordance with Schedule 3 to the Large and Medium-sized Groups (Accounts and Reports) Regulations 2008, which cover the special provisions applicable to insurance companies.

The financial statements have been prepared in accordance with applicable accounting standards, in accordance with FRS 101 "Reduced Disclosure Framework" (FRS101).

Summary of disclosure exemptions
The company has availed itself of a number of exemptions from the disclosure requirements of IFRS in the preparation of these financial statements, in accordance with FRS 101.

In accordance with FRS 101, paragraph 8, the company has claimed an exemption from the following paragraphs of IFRS:

- The requirement of paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information requirements in respect of:
    - paragraph 79(a)(iv) of IAS 1 "Presentation of Financial Statements";

2 Accounting policies (continued)

- The following paragraphs of IAS 1, "Presentation of Financial Statements":
  - 10(d) (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
- The requirements under IAS 7 "Statement of Cash Flows";
- Paragraph 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 "Related Party Disclosures" (key management compensation);
- The requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group.

Going concern
The financial statements have been prepared on a going concern basis.

Changes in accounting policy

New standards, interpretations and amendments effective
The following has been applied for the first time from 1 January 2019:

IFRS 16 - Leases

IFRS 16 replaced existing leases guidance, including IAS 17 Leases. This new accounting standard became effective from 1 January 2019 and is applied to the company's 2019 financial statements using a modified retrospective approach to adoption. In applying the new standard, a company will recognise lease assets and lease liabilities on the balance sheet for all leases with a lease term greater than 12 months. Invesco Pensions Limited has not entered into any lease arrangements and the introduction of IFRS 16 has not had a material impact on the financial statements of the company.

None of the other new accounting interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

Revenue recognition

Recognition

The company earns revenue from the provision of investment products to trustees of pension schemes registered in the UK, either directly or through reinsurance of the investment element of policies underwritten by third party life insurers. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

2 Accounting policies (continued)

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when or as the entity satisfies its performance obligations.

Fee arrangements

Below are details of fee arrangements and how these are measured and recognised, for revenue from the provision of services:

Investment management fees arise from the provision of investment products to trustees of pension schemes registered in the UK. Investment management services are satisfied over time as the services are provided and are typically based upon a percentage of the value of the client's assets under management. Investment management fees for certain arrangements include fees for distribution and administrative-related services. Any fees collected in advance are deferred and recognised as income over the period in which services are rendered.

Transaction price

Transaction price is determined based on the transaction price negotiated with the customer, net of rebates and value added tax.

Investment income

Investment income is accounted for on an accruals basis (net of any applicable VAT).

Interest income is comprised of interest on fixed asset investments and interest on monies placed with credit institutions.

Investment income on long term business fund investments includes income on collective investment schemes and is included in the long term business technical account. Investment income on shareholder fund investments is dealt with through the non-technical account.

Fees from fund management

Fees charged for fund management services are recognised net of any applicable VAT on an accruals basis.

Product classification

Under FRS 101, the measurement basis of assets and liabilities of long-term business contracts is dependent upon the classification of the contracts as either insurance contracts, if the level of insurance risk is significant, or investment contracts, if the risk is insignificant.

Unit-linked contracts written by the company, where the liability under the contract is dependent on the value of the underlying financial assets, are classified as investment contracts. As a result, these contracts are deposit accounted. The majority of the business takes the legal form of insurance policies, under which legal title to the underlying investment is held by the company, but the inherent risks and rewards in the investments are borne by the policyholder. In the normal course of business, the company's financial interest in such investments is restricted to fees for investment management services. As the company does not transfer significant insurance risk, the contracts are accounted for as investment contracts.

2 Accounting policies (continued)

Foreign currency transactions and balances
The functional currency of the company is Sterling (£), reflecting the primary currency in which the underlying transactions are undertaken, which is also the presentation currency.

Tax
The tax charge in the technical account is based on the method of assessing taxation for long term insurance funds applicable in the United Kingdom. Any part of the balance on the technical account that is computed on an after tax basis is grossed up at the effective rate of tax in the non-technical account.

The tax charge in the non-technical account is based on the taxable profits for the year.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. The tax charge is calculated on the basis of the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-
· financial assets/liabilities at amortised cost; or
· financial assets/liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and liabilities and the contractual cash flow characteristics of the financial assets and liabilities, as detailed below:-

2 Accounting policies (continued)

Financial assets/liabilities at amortised cost
A financial asset is measured at amortised cost using the effective interest rate method if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL). The company holds investments, in the form of loans and receivables, that have fixed or determinable payments and are not designated as FVTPL. These investments include unsecured loans and trade receivables and are carried at amortised cost using the effective interest rate method, less any provisions for impairment. The company uses bid prices to value its quoted financial investments which management believe to be representative of fair value. Actively traded investments without quoted prices are valued using external broker bid prices. If there is no active established market for an investment, the company applies an appropriate valuation technique such as discounted cash flows.

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial assets/liabilities at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities. Financial liabilities measured at amortised cost are mainly creditors shown at settlement value.

Initial recognition
The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

2 Accounting policies (continued)

Derecognition

Financial assets

The company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the company neither transfers nor retains substantially all of the risks and rewards of ownership but does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the company is recognised as a separate asset or liability.

The company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

When the company derecognises transferred financial assets in their entirety, but has continuing involvement in them then the company is required to disclose for each type of continuing involvement at the reporting date:

(a) The carrying amount of the assets and liabilities that are recognised in the company's statement of financial position and represent the company's continuing involvement in the derecognised financial assets, and the line items in which those assets and liabilities are recognised.

(b) The fair value of the assets and liabilities that represent the company's continuing involvement in the derecognised financial assets.

(c) The amount that best represents the company's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and how the maximum exposure to loss is determined.

(d) The undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee for the transferred assets.

Impairment of financial assets

Measurement of Expected Credit Losses

Financial assets, other than those measured at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events which have occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The company uses the expected credit losses (ECL) model when assessing the impairment of financial assets.

2 Accounting policies (continued)

Share capital
Ordinary shares are classified as equity.

Investment gains and losses
Net gains and losses on assets attributable to long term business are included in the long term business technical account. Net gains and losses on shareholder fund investments are dealt with through the non-technical account.

Technical provision for linked liabilities
The technical provision for linked liabilities is established by reference to the market value of the underlying assets which are held to meet those liabilities.

Long term business provision
The long term business provision is determined by the directors on advice of the Chief Actuary following his annual investigation of the long term business.

The technical provision held for linked business is equal to the unit liabilities; no further long term business provision is required, as explained in Note 18.

3 Critical accounting judgements and key sources of estimation uncertainty

Significant estimates and judgements

The preparation of financial statements may require management to make estimates and judgements that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results could differ from those estimates. Estimates and judgements are continually evaluated and are based on based on historical experience and other factors, including expectation of future events and economic conditions. Judgements have been applied to the following:

Assets held to cover linked liabilities
The fair value of quoted financial investments are based on bid prices, which management believes to be representative of fair value. If the market for a financial investment is not active, the company establishes fair value using valuation techniques such as, consensus market pricing, reference to similar listed investments, discounted cash flow models or pricing models.

Estimates have been applied to the following:

Long term business provision
The annuity provision is valued as the present value of future annuity payments and expenses. The calculation of the provision requires a number of actuarial estimates which are subject to uncertainy and based on assumptions about future experience.

The fair value of financial assets is discussed further in Note 10.

Invesco Pensions Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Total income/(expense)

	Technical Account	
	2019	2018
	£ 000	£ 000
Fees from fund management		
Management fees received	57,658	59,823
Earned and realised investment return		
Investment income	177,730	199,533
Investment return		
Net gains/(losses) on investments	301,621	(550,444)
Total income/(expense)	537,009	(291,088)

	Non-Technical Account	
	2019	2018
	£ 000	£ 000
Earned and realised investment return		
Interest from parent undertaking	701	705
Investment income	600	424
Total income	1,301	1,129

Where a service is transferred to the customer before the customer pays consideration, or before payment is due, these amounts are included as accrued income in Note 11. Where the company has an unconditional right to consideration for the services supplied and performance obligations delivered, these amounts are included as Management fees receivable. Where consideration has been received and the company still has an obligation to deliver services for that consideration, these amounts are recorded as deferred income and are included in Note 14.

5 Net operating expenses

	2019	2018
	£ 000	£ 000
Administration expenses	42,358	28,321

The commission accounted for during the year in respect of direct insurance, amounted to £676,000 (2018: £822,000).

Net operating expenses include charges from fellow subsidiaries for administration and investment management services.

Invesco Pensions Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

6 Directors' remuneration

There were no employees of the company during the year (2018: nil).

The 3 executive directors (2018: 3) who held office during the year received no remuneration from the company (2018: £Nil). All executive directors' remuneration is borne by Invesco UK Limited and the proportion of directors' remuneration relating to services provided to the company is not able to be reliably separately identified. Therefore, no recharge has been made to the company.

The 3 non-executive directors' (2018: 4) remuneration attributable to the company for the year was £99,000 (2018: £124,000).

7 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of these financial statements	87	83
Other non-audit services	34	35
Total fees payable to the auditor and their associates	121	118

The auditors remuneration is borne by Invesco UK Limited, a fellow subsidiary of the group and is recharged as part of the service charge applied by this entity to the company. The portion of the aggregate auditors remuneration of the group relating to audit and other services provided to the company is shown above.

8 Income tax expense

Current tax charge

	Technical Account		Non-Technical Account	
	2019 £ 000	2018 £ 000	2019 £ 000	2018 £ 000
UK corporation tax	2,901	5,976	247	215
Overseas tax	155	246	-	-
Tax charge attributable to balance on the long term business technical account	3,056	6,222	3,056	6,222
Tax on profits on ordinary activities	-	-	3,303	6,437

8 Income tax expense (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2018: higher than the standard rate of corporation tax in the UK) of 19% (2018: 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	16,727	32,830
Corporation tax at standard rate	3,178	6,238
Increase (decrease) arising from overseas tax suffered (expensed)	155	246
Increase (decrease) from effects of double taxation relief	(30)	(47)
Total tax charge	3,303	6,437

9 Due from other group undertakings

	2019 £ 000	2018 £ 000
Amounts due from group undertakings	8,470	4,113
Loans to group undertakings	30,000	30,000
	38,470	34,113

The three loans to the immediate parent company are at the following rates:

- interest at 1.95% on a £10m loan, due to mature on 30 September 2021;
- interest at 2.50% on a £10m loan, due to mature on 31 March 2022; and
- interest at 2.52% on a £10m loan, due to mature on 30 June 2024

All three of the loans are unsecured and repayable on demand with 30 days notice. The remaining balance is unsecured, interest free and repayable on demand.

10 Financial assets classified at fair value through profit or loss

	2019 £ 000	2018 £ 000
Assets held to cover linked liabilities	8,183,432	8,938,802
Reinsurers' share of technical provision	216	215
	8,183,648	8,939,017

The fair values of financial assets are either carried in the balance sheet at their fair value or the balance sheet is a reasonable approximation of fair value (accrued income and cash at bank).

(a) Fair value of hierarchy disclosure

The fair value of financial assets are determined on the following bases:

Level 1 - fair value based on quoted prices in active markets for identical assets;
Level 2 - fair values based on valuation techniques using observable inputs other than quoted prices within level 1; and
Level 3 - fair values based on valuation techniques using inputs that are not based on observable market data.

Where financial assets are held in liquid collective investment schemes, the classification is based on the fair value of the underlying funds. The following table presents the fair value levels of the investments in the underlying funds.

At 31 December 2019	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Assets held to cover linked liabilities	8,124,386	51,708	7,338	8,183,432
Reinsurers' share of technical provisions	-	-	216	216
	8,124,386	51,708	7,554	8,183,648

At 31 December 2018	Level 1 £ 000	Level 2 £ 000	Level 3 £ 000	Total £ 000
Assets held to cover linked liabilities	8,881,671	47,284	9,847	8,938,802
Reinsurers' share of technical provisions	-	-	215	215
	8,881,671	47,284	10,062	8,939,017

During 2019, there were no transfers from level 1 and 2 to level 3 (2018: None).

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

(b) Assets measured at fair value through profit or loss

Level 3 assets include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair values for fair value through profit and loss investments are generally sourced from third parties. The fair values of securities are based upon quoted market values where available, or "evaluated bid" prices provided by third party pricing services ("pricing services") where quoted market values are not available.

It is common industry practice to utilise pricing services as a source for determining the fair values of investments where the pricing services are able to obtain sufficient market corroborating information to allow them to produce a valuation at a reporting date. In addition, in the majority of cases, although a value may be obtained from a particular pricing service for a security or class of similar securities, these values are corroborated against values provided by other pricing services.

The pricing services use market approaches to valuations using primarily Level 2 inputs in the vast majority of valuations, or some form of discounted cash flow analysis, to obtain investment values for a small percentage of securities for which they provide a price.

Standard inputs to the valuations provided by the pricing services listed in approximate order of priority for use when available include: reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data. The pricing services may prioritise inputs differently on any given day for any security, and not all inputs listed are available for use in the evaluation process on any given day for each security evaluation; however, the pricing services also monitor market indicators, customer feedback through a price challenge process and industry and economic events. Information of this nature is a trigger to acquire further corroborating market data.

When these inputs are not available, they identify "buckets" of similar securities (allocated by asset class types, sectors, sub-sectors, contractual cash flows/structure, and credit rating characteristics) and apply some form of matrix or other modelled pricing to determine an appropriate security value which represents their best estimate as to what a buyer in the marketplace would pay for a security in a current sale. Prices provided by independent pricing services and independent broker quotes can vary widely even for the same security. The inherent nature of the vast majority of these assets means that, in normal market conditions, there is unlikely to be significant change in the specific underlying assets classified as level 3.

(c) Reconciliation of movements in level 3 financial assets designated at fair value

The following table reconciles the value of level 3 financial instruments at 1 January 2019 to that presented at 31 December 2019. Total gains and losses recorded in the long-term technical account in the period represents gains and losses, including interest and dividend income, unrealised gains and losses on financial instruments classified at fair value through the profit and loss account. All these amounts are included within 'investment income' and 'net gains/(losses) on investments' in the long-term technical account.

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

2019 Level 3 Financial Assets	At 1 Jan 2019 £ 000	Purchases £ 000	Sales £ 000	Total gains/(losses) £ 000	At 31 Dec 2019 £ 000
Assets held to cover linked liabilities	9,847	-	(111)	(2,398)	7,338
Reinsurers' share of technical provisions	215	-	-	1	216
	10,062	-	(111)	(2,397)	7,554

2018 Level 3 Financial Assets	At 1 Jan 2018 £ 000	Purchases £ 000	Sales £ 000	Total gains/(losses) £ 000	At 31 Dec 2018 £ 000
Assets held to cover linked liabilities	18,431	-	(4,722)	(3,862)	9,847
Reinsurers' share of technical provisions	243	-	(14)	(14)	215
	18,674	-	(4,736)	(3,876)	10,062

(d) Effect of changes in significant unobservable inputs (level 3) to reasonably possible alternative assumptions

As discussed above, the fair values of financial instruments are, in certain circumstances, based on valuation techniques using inputs that are not based on observable market data. The following table shows the level 3 financial assets carried at fair value as at the balance sheet date and reasonably possible increases and decreases in fair value based on reasonably possible alternative assumptions.

For alternative assumptions the market values have been flexed by increasing and decreasing by 20% (2018: 20%).

2019 Reasonable possible alternative assumptions

	Current fair value £ 000	Increase in fair value £ 000	Decrease in fair value £ 000
Assets held to cover linked liabilities	7,338	1,468	(1,468)
Reinsurers' share of technical provisions	216	43	(43)
	7,554	1,511	(1,511)

2018 Reasonable possible alternative assumptions

	Current fair value £ 000	Increase in fair value £ 000	Decrease in fair value £ 000
Assets held to cover linked liabilities	9,847	1,969	(1,969)
Reinsurers' share of technical provisions	215	43	(43)
	10,062	2,012	(2,012)

Invesco Pensions Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Prepayments and accrued income

	2019 £ 000	2018 £ 000
Accrued income	5,159	5,735
Prepaid expenses	37	25
Interest receivable	44	62
	5,240	5,822

The company's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other debtors is disclosed in Note 16.

12 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash at bank	29,612	39,649
Short-term deposits	37,006	56,762
	66,618	96,411

13 Share capital

Allotted, called up and fully paid shares

	2019 No. 000	2019 £ 000	2018 No. 000	2018 £ 000
Ordinary shares of £1 each	19,876	19,876	19,876	19,876

14 Other creditors including taxation and social security

	2019 £ 000	2018 £ 000
Amounts due to group undertakings	11,343	3,452
Accruals and deferred income	303	167
Corporation tax	2,315	4,844
Other creditors	5,382	5,822
	19,343	14,285

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

The company's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in Note 16.

15 Dividends

	2019 £ 000	2018 £ 000
Dividends paid of £2.26 (2018 - £Nil) per ordinary share	45,000	-

16 Financial risk management

For governance, principal risks and uncertainties refer to the strategic report.

The company's activities involve it assuming a variety of financial risks; however, for unit-linked contracts, the company fully hedges its liabilities by investing in the portfolios on which the respective unit prices are based. There is therefore no material interest rate, market price, currency or credit risk for the company on these contracts. The company is responsible for ensuring there is sufficient liquidity within the asset portfolio to enable liabilities to unit-linked policyholders to be met as they fall due.

The financial risk remaining with the company relates to the company's investment of assets not held against policyholder liabilities (non-unit linked investments). This is mitigated by investing in safe, secure and liquid investments, namely cash and short term money market instruments alongside loans made to the parent, Invesco UK Limited (which are repayable on demand at any time).

Credit risk and impairment

Credit risk is the risk that the company is exposed to loss if another party fails to perform its financial obligations to the company. The company structures the levels of credit risk by monitoring the credit quality of its counterparties, the average credit rating of its exposures and the amount of exposure to any one counterparty.

Due to the matching of policyholders' liabilities to attaching asset value movements there is minimal credit risk for the company on the unit-linked business as the risks are borne by the policyholders.

The company is exposed to credit risk in respect of its non-linked assets, which are predominantly held in short term money market instruments, cash at bank and receivables as follows:

Maximum exposure to credit risk	2019 £ 000	2018 £ 000
Due from other group undertakings	38,470	34,113
Management fees receivable	385	885
Prepayments and accrued income	5,240	5,822
Cash at bank and in hand	29,612	39,649
Short-term deposits	37,006	56,762
	110,713	137,231

16 Financial risk management (continued)

For the purposes of the company's disclosures regarding credit quality, non-linked assets subject to credit risk have been analysed as follows:

As at 31 December 2019	Trade and other receivables £ 000	Cash and cash equivalents £ 000	Prepayments and accrued income £ 000	Total £ 000
Neither past due nor impaired	38,781	66,618	5,240	110,639
Past due but not impaired	74	-	-	74
Total	38,855	66,618	5,240	110,713

As at 31 December 2018	Trade and other receivables £ 000	Cash and cash equivalents £ 000	Prepayments and accrued income £ 000	Total £ 000
Neither past due not impaired	34,653	96,411	5,822	136,886
Past due but not impaired	345	-	-	345
Total	34,998	96,411	5,822	137,231

Where the company invoices its policyholders in respect of fees for investment management services it derives credit exposure in respect of unpaid invoices. In most cases the company has retained the right to offset unpaid invoices against the units in funds held by the policyholders and as such is unlikely to have any material exposure. The company does not hold any collateral as security against these debtors.

Trade and other receivables includes £74,000 (2018: £345,000) that was past due but not impaired. All debtors have been considered individually for impairment and no provision has been raised (2018: Nil). The company regularly monitors amounts past normal payment terms.

The age analysis of financial assets 'Trade and other receivables' that are past due but not impaired is as follows:

	2019 £ 000	2018 £ 000
Past due but not impaired		
0-3 months	50	345
3-6 months	24	-
Total	74	345

All debtors are due within one year.

The concentration of credit risk by credit rating of non-linked assets is as follows:

16 Financial risk management (continued)

As at 31 December 2019	Trade and other receivables £ 000	Cash and cash equivalents £ 000	Prepayments and accrued income £ 000	Total £ 000
AAA	-	37,006	-	37,006
AA-	-	436	-	436
A	-	25,000	-	25,000
BBB+	-	4,176	-	4,176
Unrated	38,855	-	5,240	44,095
Total	38,855	66,618	5,240	110,713

As at 31 December 2018	Trade and other receivables £ 000	Cash and cash equivalents £ 000	Prepayments and accrued income £ 000	Total £ 000
AAA	-	56,763	-	56,763
AA-	-	18,254	-	18,254
A+	-	17,000	-	17,000
BBB+	-	4,394	-	4,394
Unrated	34,998	-	5,822	40,820
Total	34,998	96,411	5,822	137,231

Market risk

Market risk is the risk of loss or adverse change in the financial position of the company resulting directly or indirectly from fluctuations in the level and/or volatility of market prices of assets and liabilities and financial instruments.

Due to the matching of policyholders liabilities to attaching asset value movements the unit-linked business is not directly affected by market risk. The effect of adverse market movements to the company is the impact on future revenue as revenue is directly related to AUM.

The level of the company's AUM, in the absence of any new mandates or redemptions, is determined by investment performance and market movements. Revenue is directly charged as a function of the market value of AUM. If markets were to increase/decrease by 10%, based on the AUM values as at 31 December 2019, the annual revenue of the company would increase/decrease by £5,121,000 (2018: £5,708,000) based on average fee rates which would translate through to profits and net assets.

Liquidity risk

Liquidity risk is the risk that the company may be unable to generate sufficient cash to meet its payment obligations as they fall due.

The unit linked business consists of pooled investment vehicles used for pension scheme business which by nature do not have any contractual maturity dates, as the benefits are the realisation values of the units held in the linked funds and may be surrendered at any time.

The company maintains sufficient cash and liquid investments such that liquidity and cash flows risk are negligible.

The company's liabilities have the following maturity profile:

16 Financial risk management (continued)

Maturity analysis

2019	0 - 3 months £ 000	4 - 12 months £ 000	Total £ 000
Trade and other payables	17,028	2,315	19,343

2018	0 - 3 months £ 000	4 - 12 months £ 000	Total £ 000
Trade and other payables	9,441	4,844	14,285

Interest risk

The company earns interest on cash balances. The rate of interest is dependent on commercial banking interest rates. If interest rates increased by 1%, based on the closing balances as at 31 December 2019, the annualised interest earned by the company would increase by £0.67m (2018: £0.96m) which would translate through to profits and net assets. In addition the company earns interest at a fixed rate on loans made to the immediate parent company, as disclosed in Note 9.

Due to the matching of policyholders liabilities to attaching asset value movements the unit-linked business is not directly sensitive to interest rate movements.

Price risk

Due to the matching of policyholders liabilities to attaching asset value movements the unit-linked business is not directly sensitive to price risk. The company does not hold any investment property or equity securities outside of the unit-linked funds, so is not exposed to other price risk.

Capital risk management

At 31 December 2019, the company was subject to a statutory minimum capital requirement (MCR), prescribed by the PRA of £22.0m (2018: £61.0m) and a solvency capital requirement (SCR) of £48.9m (2018: £187.1m), against which the company held regulatory own funds capital of £116.4m (2018: £273.2m).

The available own funds of £116.4m (2018: £273.2m) reflects the excess of assets over liabilities on a solvency II basis. This excess of available capital is monitored during the year. The company policy is to maintain an appropriate level of capital resources above PRA requirements. Any additional capital is sought from the parent company as necessary.

The company writes unit linked business, together with a small amount of non-linked business which is 100% reinsured. The total available own funds show the capital on a regulatory basis that is available to meet the regulatory capital requirements of the business. The company maintains surplus capital in excess of the minimum requirements in order to protect against future adverse changes in circumstances.

The company sets policies to manage the risks facing the business, as referenced in the Stategic Report. The company does not directly hold derivative instruments nor enter into any hedging arrangements. These may be directly held within the underlying investment funds of the linked assets, in accordance with these funds' prospectuses.

16 Financial risk management (continued)

	2019 £ 000	2018 £ 000
Available own funds	116,400	273,200
Solvency Capital Requirement (SCR)	48,900	187,100
Minimum Capital Requirement (MCR)	22,000	61,000
Surplus capital	67,500	86,100
Own funds/SCR ratio	238%	146%
Own funds/MCR ratio	529%	448%

17 Assets of the long term business fund

The total net assets attributable to the long term business fund which are included in the balance sheet are £8,183,432,000 (2018: £8,938,802,000). A more detailed analysis of the movement in assets can be seen in the Business review section of the Strategic Report.

18 Long term business provision

For the in-force Trustee Investment Plan (TIP) business, which represents by far the majority of the company's insurance liabilities, the expenses for administering this business are expressed as a percentage of assets under management. For each policy these expenses are less than the annual management charges applied to the corresponding assets under management. The remaining excess of annual management charges over the fund related expenses are more than sufficient to cover the company's direct overhead expenses; therefore, when assessed on a prudent basis, there is no requirement for a long term business provision in excess of the technical provisions in respect of the linked liabilities.

The company also maintains a small block of in-payment annuities, which are also reserved for on a prudent basis. This business is fully reinsured and therefore after allowing for the reinsurance, does not require an additional long term business provision to be made.

Invesco Pensions Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

19 Premiums

	2019 £ 000	2018 £ 000
Earned premiums written, net of reinsurance		
Regular premiums		
- Gross	-	-
- Reinsured	-	-
Total regular premiums	-	-
Single premiums		
- Gross	1,183,588	1,491,968
- Reinsured	-	-
Total single premiums	1,183,588	1,491,968
Total earned premiums, net of reinsurance	1,183,588	1,491,968

Earned premiums written include both premiums received from existing policyholders and new business premiums received during the year.

	2019 £ 000	2018 £ 000
New business net of reinsurance		
Single premiums		
- Gross	475,552	641,335
- Reinsured	-	-
Total premiums from new business, net of reinsurance	475,552	641,335

The first premium received from any new pension scheme funded during the year is classified as new business premiums.

20 Charges over assets

The company has granted floating charges to certain insurance companies, in line with industry practice in respect of reinsurance business, to secure liabilities under reinsurance contracts such that those liabilities rank pari passu with other liabilities of the company under direct insurance contracts. The charges are secured on the long-term insurance assets of the company.

21 Parent and ultimate parent undertaking

The company's ultimate controlling party, ultimate parent company and the parent undertaking of the only group of undertakings for which consolidated financial statements are drawn up and of which the company is a member is Invesco Ltd., which is registered in Bermuda. The immediate parent company is Invesco UK Limited. Copies of the group consolidated financial statements can be obtained from Two Peachtree Pointe, 1555 Peachtree Street, N.E. Atlanta, Georgia 30309, U.S.A..

22 Capital commitments and contingent liabilities

The company does not have any capital commitments or contingent liabilities as at 31 December 2019 (2018: £Nil), subject to Note 20.

23 Subsequent events

The outbreak of novel Coronavirus (COVID-19) in China in January 2020 and its subsequent spread to other countries, including the United Kingdom, has led to significant investor uncertainty across the globe. The recent market volatility has had a direct impact on the level of the company's AUM, as market risk is one of the company's principal risks as set out in the Strategic Report. As at 15 March 2020, the company's Solvency Ratio was estimated at 247%. A continued rise in the number of COVID-19 infections, or a prolongation of the outbreak, may further increase uncertainty and result in significant adverse economic effects.

On 25 March 2020, an interim dividend was paid of £30,000,000 (£1.51 per ordinary share).