

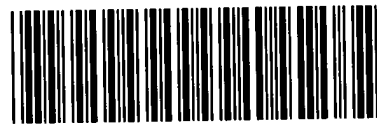
RL Finance Bonds No.3 plc

Annual report and financial statements

for the year ended 31 December 2019

Registered Number 9664420

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# **RL Finance Bonds No.3 plc**

## **Annual report and financial statements**

### **for the year ended 31 December 2019**

#### **Contents**

Directors and independent auditors for the year ended 31 December 2019 .....	1
Strategic report for the year ended 31 December 2019 .....	2
Directors' report for the year ended 31 December 2019 .....	3
Independent auditors' report to the members of RL Finance Bonds No.3 plc.....	5
Statement of comprehensive income for the year ended 31 December 2019 .....	10
Balance sheet as at 31 December 2019.....	11
Statement of changes in equity for the year ended 31 December 2019 .....	12
Notes to the financial statements for the year ended 31 December 2019 .....	13

# **RL Finance Bonds No.3 plc**

## **Directors and independent auditors for the year ended 31 December 2019**

### **Directors**

Tim Harris (resigned 25 June 2019)

Martin Lewis

Lesley Mitchell (appointed 24 March 2020)

Andrea Montague (appointed 08 October 2019, resigned 28 March 2020)

### **Company Secretary**

Royal London Management Services Limited

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

### **Registered Office**

55 Gracechurch Street

London

EC3V 0RL

Registered in England and Wales

Public limited company – limited by shares

### **Registered Number**

9664420

# RL Finance Bonds No.3 plc

## Strategic report for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

### Review of the business

The company provides finance to its parent company, The Royal London Mutual Insurance Society Limited. On 13 November 2015, the company issued £350,000,000 6.125% Guaranteed Subordinated Notes. The proceeds of this issue were lent to the parent company on the same terms as those applicable to the Notes.

Total comprehensive income for the year was £1,668 (2018: £1,499). The directors do not propose the payment of a dividend and, accordingly, an amount of £1,668 was transferred to reserves (2018: £1,499).

The net assets of the company are £13,798 (2018: £12,130).

The post balance sheet event in relation to the current and ongoing outbreak of coronavirus (COVID-19) is referenced in note 12.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are integrated with those facing the Group and are not managed separately. The company operates within the risk management policies and procedures maintained by its ultimate parent company, The Royal London Mutual Insurance Society Limited, which are discussed within the risk management note in the Group's annual report and accounts.

### Key performance indicators (KPIs)

The company's directors are of the opinion that an analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

By order of the Board



**Martin Lewis**  
Director  
27 March 2020

# **RL Finance Bonds No.3 plc**

## **Directors' report for the year ended 31 December 2019**

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements were:

Tim Harris (resigned 25 June 2019)

Martin Lewis

Lesley Mitchell (appointed 24 March 2020)

Andrea Montague (appointed 08 October 2019, resigned 28 March 2020)

### **Directors' indemnities**

The directors have the benefit of a qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006). This provision was in force throughout the financial year and as at the date of approval of the financial statements. The company's ultimate parent undertaking, The Royal London Mutual Insurance Society Limited, also maintains Directors' and Officers' liability insurance in respect of the company and its directors.

### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 the financial statements, the directors are required to:

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

The directors are 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.

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

### **Dividends**

The directors do not propose the payment of a dividend (2018: £nil).

### **Future outlook**

For the foreseeable future the company is not expected to undertake any activity other than the maintenance of its loan arrangements.

### **Independent auditors**

PricewaterhouseCoopers LLP are the incumbent auditors. A resolution re-appointing them as auditors to the company will be proposed at the Annual General Meeting.

### **Disclosure of information to auditors**

The directors who held office as at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and that each

## RL Finance Bonds No.3 plc

director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Directors' report for the year ended 31 December 2019 (continued)

#### Internal controls and risk management

The board of directors has overall responsibility for the company's systems of risk management and internal controls. The company operates within the risk management framework and under the policies, procedures and internal controls maintained by its parent company, The Royal London Mutual Insurance Society Limited, and does not maintain its own individual risk management or internal controls procedures.

The Royal London Group's system of risk management and internal control comprises its system of governance, risk appetite, risk policies, internal control and monitoring activities and the internal environment including its philosophy, culture and behaviours. Taken together these elements are designed to:

- Facilitate the effective and efficient operation of the Group by enabling it to respond appropriately to significant business, operational, financial, regulatory and other risks that could impact upon the delivery of its objectives;
- Promote a clear understanding of the risks faced to allow the Group to balance risk, capital and return effectively, enhancing the Group's decision making capacity;
- Promote the preparation of reliable published financial statements and selected financial data; and
- Facilitate compliance with applicable laws, regulations and internal policies.

The company adheres to all the practices noted above through a robust system of timely preparation of management and financial statements, internal review of the financial statements within finance and through the regular review of accounting regulations and law.

**By order of the Board**



**Martin Lewis**  
Director  
27 March 2020

# RL Finance Bonds No.3 plc

## Independent auditors' report to the members of RL Finance Bonds No.3 plc

### Report on the audit of the financial statements

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#### Opinion

In our opinion, RL Finance Bonds No.3 plc'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 Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

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#### 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 listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

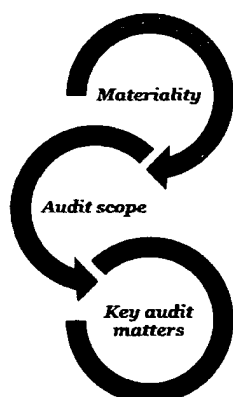
To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 January 2019 to 31 December 2019.

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#### Our audit approach

##### Overview



- Overall materiality: £3,528,931 (2018: £3,528,932), based on 1% of total assets.
  - Overall we concluded that our audit scope gave us the evidence we needed for our opinion on the financial statements as a whole.
  - Events after the balance sheet date of the financial statements – Impact of Covid-19.
-

## **RL Finance Bonds No.3 plc**

### **Independent auditors' report to the members of RL Finance Bonds No.3 plc (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 Listing Rules and unethical and prohibited business practices, 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 and the 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 manipulate performance and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with the Board and management involved in the entity's actions and legal function including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of management's internal controls designed to prevent and detect irregularities, in particular their controls around disclosure of related parties and associated transactions and risk-based monitoring of customer processes;
- Reviewing relevant meeting minutes including those of the Board;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability including around the nature, timing or extent of our testing of journals.

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.



## RL Finance Bonds No.3 plc

### Independent auditors' report to the members of RL Finance Bonds No.3 plc (continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impact of COVID-19</i></p> <p>The impact of Covid-19 is disclosed in the note 12 - Events after the balance sheet date of the financial statements</p> <p>Since the balance sheet date the spread of the Covid-19 has caused significant disruption to business and economic activity which has precipitated substantial daily fluctuations in interest rates and global stock markets. The UK government and Bank of England have announced measures designed to reduce any long lasting economic harm on the UK economy.</p> <p>Given the nature of the arrangement with the parent company, The Royal London Mutual Insurance Society Limited, the ability to meet the loan repayments and interest is based on the financial position of the Group.</p> <p>The Directors have specifically considered the impact on the financial statements, including its impact on the going concern assessment and post balance sheet event disclosures, and the ability of the parent company to continue to support the company and meet the loan payments.</p> <p>The Group published a Regulatory View capital cover ratio of 150% at the 16 March 2020, showing a movement from a year-end cover ratio of 159%. The Directors believe that the Group remains well capitalised and that the Group will continue to take action to protect their capital position as appropriate.</p> <p>Further, in the event of a deterioration of the financial position of the Group, the Parent, or any member of the insurance group to below the minimum regulatory capital, this would result in the interest and / or capital redemption no longer being due until such time as the financial situation had recovered.</p> <p>The directors have concluded that the matter is a non-adjusting post balance sheet event and that it remains appropriate to prepare the financial statements on a going concern basis.</p>	<p>We performed testing over the following areas in considering the ability of the Group to support the subsidiary:</p> <ul style="list-style-type: none"><li>- We reviewed the loan agreement of the Guaranteed Subordinated Notes and the terms of the agreement on which the proceeds of this issue were lent to the parent company.</li><li>- We considered the subordination of the Guaranteed Subordinated Notes clauses and in particular the deferral of interest and redemption clauses.</li></ul> <p>We performed the following procedures on the capital position of the Group:</p> <ul style="list-style-type: none"><li>- We understood the process and methodology to calculate the updated post year-end group capital cover ratio.</li><li>- We tested the appropriateness of the movement in group capital cover ratio by reviewing Management's assumptions and estimates used in their calculation, including assessing previously reported sensitivities and their consistency to the disclosures being made.</li><li>- We inquired as to the movement between the 16 March 2020 and 27 March 2020.</li></ul> <p>We reviewed the disclosure of events after the balance sheet date with no findings.</p> <p>We concluded that it continues to be appropriate to prepare the financial statements on a going concern basis.</p>

#### *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.

## RL Finance Bonds No.3 plc

### Independent auditors' report to the members of RL Finance Bonds No.3 plc (continued)

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

<b>Overall materiality</b>	£3,528,931 (2018: £3,528,932).
<b>How we determined it</b>	1% of total assets.
<b>Rationale for benchmark applied</b>	We have determined that the primary users of the accounts will be the company creditors. We therefore believe that total assets is the primary benchmark used by the company's creditors in assessing the ability of the entity to repay the subordinated liabilities and accrued interest.

We agreed with the directors that we would report to them misstatements identified during our audit above £176,447 (2018: £176,447) 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.

#### 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 on, 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.

## RL Finance Bonds No.3 plc

### Independent auditors' report to the members of RL Finance Bonds No.3 plc (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 3, 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](http://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**

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##### **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.

#### **Appointment**

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We were appointed by the members on 30 June 2015 to audit the financial statements for the year ended 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2015 to 31 December 2019.



Thomas Robb (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 March 2020

## RL Finance Bonds No.3 plc

### Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 £	2018 £
Administrative expenses	2	(3,805)	(4,014)
Other interest receivable and similar income	3	21,437,500	21,437,500
Interest payable and similar expenses	4	(21,437,500)	(21,437,500)
<b>Loss before taxation</b>		<b>(3,805)</b>	<b>(4,014)</b>
Tax on loss on ordinary activities	5	5,473	5,513
<b>Profit for the financial year</b>		<b>1,668</b>	<b>1,499</b>
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the financial year</b>		<b>1,668</b>	<b>1,499</b>

The accounting policies and notes on pages 13 to 16 form an integral part of these financial statements.

# RL Finance Bonds No.3 plc

## Balance sheet as at 31 December 2019

	Note	2019 £	2018 £
<b>Fixed asset investments</b>			
Loan to parent company	6	350,000,000	350,000,000
<b>Current assets</b>			
Debtors	7	2,893,147	2,893,168
		2,893,147	2,893,168
<b>Creditors: amounts falling due within one year</b>	8	<b>(2,879,349)</b>	<b>(2,881,038)</b>
<b>Net current assets</b>		<b>13,798</b>	<b>12,130</b>
<b>Total assets less current liabilities</b>		<b>350,013,798</b>	<b>350,012,130</b>
<b>Creditors: amounts falling due after more than one year</b>			
Subordinated liabilities	9	(350,000,000)	(350,000,000)
<b>Total assets less total liabilities</b>		<b>13,798</b>	<b>12,130</b>
<b>Capital and reserves</b>			
Called up share capital	10	12,500	12,500
Profit and loss account		1,298	(370)
<b>Total shareholders' funds</b>		<b>13,798</b>	<b>12,130</b>

The financial statements on pages 10 to 16 were approved by the board of directors on 27 March 2020 and signed on its behalf by:



**Martin Lewis**  
Director  
RL Finance Bonds No.3 plc  
Registered Number: 9664420

The accounting policies and notes on pages 13 to 16 form an integral part of these financial statements.

## RL Finance Bonds No.3 plc

### Statement of changes in equity for the year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2018	12,500	(1,869)	10,631
Profit for the financial year	-	1,499	1,499
Other comprehensive income, net of tax	-	-	-
At 31 December 2018	12,500	(370)	12,130
Profit for the financial year	-	1,668	1,668
Other comprehensive income, net of tax	-	-	-
<b>At 31 December 2019</b>	<b>12,500</b>	<b>1,298</b>	<b>13,798</b>

The accounting policies and notes on pages 13 to 16 form an integral part of these financial statements.

# RL Finance Bonds No.3 plc

## Notes to the financial statements for the year ended 31 December 2019

### 1 Accounting policies

#### (i) General information

RL Finance Bonds No.3 plc is a company whose principle activity is to provide finance to its parent, The Royal London Mutual Insurance Society Limited, operating in the United Kingdom (UK). The company is a public limited company and is incorporated and domiciled in the UK. The address of its registered office is 55 Gracechurch Street, London, EC3V 0RL.

#### (ii) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and Financial Reporting Standard (FRS) 101, 'Reduced Disclosure Framework'. FRS 101 permits the use of International Financial Reporting Standards (IFRS) as adopted for use in the European Union, but with certain exemptions, as described below.

In accordance with FRS 101, the company has taken the exemptions not to present the following items required by EU adopted IFRS:

- Financial instruments disclosures and disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities. Disclosures in accordance with these requirements are included in the consolidated accounts of the company's ultimate parent, The Royal London Mutual Insurance Society Limited.
- Capital management disclosures.
- Comparative information for the reconciliation of the number of shares outstanding at the beginning and end of the period.
- A cash flow statement and related disclosures.
- Information on new IFRSs that have been issued but which are not yet effective.
- Key management compensation.
- Related party transactions between members of the group provided that any subsidiary that is party to the transaction is wholly owned by the group.

The company has a single reportable segment, as prescribed by IFRS 8, 'Operating Segments' and therefore no segmental information is disclosed.

The principal accounting policies, which have been applied consistently to all periods in these financial statements, are set out below.

#### (iii) Other interest receivable and similar income

Interest receivable and similar income is accounted for on an accruals basis.

#### (iv) Interest payable and similar expenses

Interest payable and similar charges is accounted for on an accruals basis.

#### (v) Taxation

Income tax on the loss for the financial year comprises current and deferred tax and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity. Current tax is the expected tax payable on the taxable profit for the financial year, based on tax laws and tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided, with no discounting, using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# RL Finance Bonds No.3 plc

## Notes to the financial statements for the year ended 31 December 2019 (continued)

### 1 Accounting policies (continued)

#### (vi) Loan to parent company

The loan to the company's parent company was initially recognised at the fair value of the consideration paid. Subsequently it is measured at amortised cost. The parent loan is considered to be a basic lending arrangement with contractual cash flows representing payment of principal and interest and is not designated as 'Fair value through profit or loss' (FVTPL). Accordingly, the asset is measured at amortised cost. Interest income is included within 'Other interest receivable and similar income' using the effective interest rate method.

#### (vii) Debtors

Debtors are initially recognised at fair value. Debtors are held in order to collect contractual cash flows and are solely payments of principal and interest on the principal amount outstanding. Accordingly, debtors are subsequently measured at amortised cost.

#### (viii) Subordinated liabilities

Financial instruments that contain an obligation to make interest payments or repayments of principal are classified as liabilities. Subordinated liabilities are recognised initially at the fair value of the proceeds received net of any discount. Subsequent to initial recognition, they are stated at amortised cost. The subordinated liability is considered to be a basic lending arrangement with contractual cash flows representing payment of principal and interest and is not designated as 'Fair value through profit or loss' (FVTPL). Accordingly, the liability is measured at amortised cost. Interest payable is included within 'Other interest payable and similar expenses' using the effective interest rate method.

#### (ix) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information on significant areas of critical judgments in applying accounting policies are described within the significant accounting policies above. There are no significant areas of estimation uncertainty which affect the amounts recognised in the financial statements.

### 2 Administrative expenses

Administrative expenses of £3,805 (2018: £4,014) are charges for the provision of services made under a management services agreement by Royal London Management Services Limited. The company has no employees.

The directors received no remuneration in respect of their services to the company. The remuneration of the auditors, PricewaterhouseCoopers LLP, for the year was £5,824 (2018: £5,654) in respect of the audit of the company's financial statements and was borne by the ultimate Parent undertaking.

### 3 Other interest receivable and similar income

	2019	2018
	£	£
Interest receivable on loan to parent undertaking	21,437,500	21,437,500

### 4 Interest payable and similar expenses

	2019	2018
	£	£
Interest payable on subordinated liabilities	21,437,500	21,437,500



## RL Finance Bonds No.3 plc

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 5 Tax on loss on ordinary activities

##### (i) Tax credited in the statement of comprehensive income

	2019 £	2018 £
UK corporation tax credit at 19% (2018: 19%) on the loss before taxation for the financial year	(5,473)	(5,513)

##### (ii) Factors affecting the tax credit

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2018: 19%) applied to the loss before taxation. The differences are explained below:

	2019 £	2018 £
Loss before taxation	(3,805)	(4,014)
Loss before taxation multiplied by the standard rate of UK corporation tax of 19% (2018: 19%)	(723)	(763)
Effects of:		
Tax adjustments and other timing differences	(4,750)	(4,750)
Total tax credit for the year	(5,473)	(5,513)

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2016. These included a reduction of the main rate of corporation tax to 17% from 1 April 2020.

##### (iii) Deferred taxation

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements.

#### 6 Loan to parent company

On 13 November 2015, the company entered into an agreement to loan to its parent company the proceeds of the issue of the Guaranteed Subordinated Notes (note 9) on the same interest, repayment and subordination terms as the Notes. The loan was granted at a principal amount of £350,000,000.

The loan is carried at the amortised cost of £350,000,000 (2018: £350,000,000). Its fair value as at 31 December 2019 was £420,749,911 (2018: £372,292,411).

#### 7 Debtors

	2019 £	2018 £
Group relief receivable	2,736	2,757
Accrued interest receivable	2,877,911	2,877,911
Amounts due from Group undertakings	12,500	12,500
	2,893,147	2,893,168

The amounts due from Group undertakings are repayable on demand and are unsecured.

Debtors are carried at amortised cost. Their fair value is not materially different from the value shown above.

## RL Finance Bonds No.3 plc

### Notes to the financial statements for the year ended 31 December 2019 (continued)

#### 8 Creditors: amounts falling due within one year

	2019 £	2018 £
Accrued interest payable	2,877,911	2,877,911
Amounts owed to Group undertakings	1,438	3,127
	<b>2,879,349</b>	<b>2,881,038</b>

Creditors are carried at amortised cost. Their fair value is not materially different from the value shown above. The amounts owed to Group undertakings are repayable on demand, unsecured and settled on a net basis.

#### 9 Subordinated liabilities

On 13 November 2015, the company issued the Guaranteed Subordinated Notes. The issue price of the Notes was the principal amount of £350,000,000. The Notes are guaranteed by the parent company. The proceeds of the issue were loaned to the parent company on the same interest, repayment and subordination terms as those applicable to the Notes (note 6). The Notes mature on 13 November 2028. Interest is payable on the Notes at a fixed rate of 6.125% per annum for the period to 13 November 2028, payable annually in arrears on 13 November each year. The Notes are carried at the amortised cost of £350,000,000 (2018: £350,000,000). Their fair value at 31 December 2019 was £420,749,911 (2018: £372,292,411).

#### 10 Called up share capital

	2019 £	2018 £
<b>Issued and partly paid</b>		
50,000 (2018: 50,000) ordinary shares of £1 each (£0.25 of each paid up)	12,500	12,500

#### 11 Ultimate parent undertaking and controlling party

The Royal London Mutual Insurance Society Limited, a company registered in England and Wales, is the immediate and ultimate parent undertaking and controlling party.

The Royal London Mutual Insurance Society Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of the financial statements of The Royal London Mutual Insurance Society Limited are available from the company's registered office.

#### 12 Events after the balance sheet date

2020 has begun with the outbreak of a new strain of the coronavirus (COVID-19) in China, with confirmed cases in more than 145 countries. The spread of the virus has been far reaching and has caused disruption to supply chains and the travel and tourism industry. It has slowed global growth and caused interest rate and investment market volatility in the first quarter of 2020. As the proceeds of the issue of the subordinated notes are loaned to the parent company reference to the capital position of the company's ultimate parent undertaking, RLMIS, is relevant. RLMIS continues to review the exposure of its balance sheet to economic shocks and will take action to protect its capital position as appropriate. Its capital position remains resilient to this market volatility, with the estimated Group Regulatory Cover ratio at 150% on 13 March 2020, with no material variance in the Cover ratio to the date of signing these financial accounts. Further details are available in the Group's annual report and accounts.

Notwithstanding RLMIS' robust capital and liquidity position and the operational and financial actions that it is taking, deterioration in the situation would have adverse implications for its business and that of the company arising from the potential impacts on financial markets, insurance exposure and its operations.