Classification: Confidential

Registered number: OC304674

HBOS COVERED BONDS LLP

Members' report and financial statements
for the year ended 31 December 2019

MEMBERS AND LLP INFORMATION

Designated Members

Bank of Scotland plc
Connery Limited

Management Board

Gavin Parker
Tracey Hill
Peter Green

Registered Office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Independent Auditors

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

Members' Report

For the year ended 31 December 2019

On behalf of the members of HBOS Covered Bonds LLP (the "LLP"), the management board presents the members' report and audited financial statements of the LLP for the year ended 31 December 2019.

Principal activities

The LLP is a special purpose vehicle established to purchase and manage mortgage loans and their related security, and to provide a guarantee in respect of interest and principal payable under the terms of covered bonds (the "Covered Bonds") issued by Bank of Scotland plc ("BOS") under the Covered Bond Programme. The mortgage loans and the funding to acquire these loans originate from BOS (the "Originator"), a subsidiary of Lloyds Banking Group plc ("LBG").

Under International Accounting Standards ("IFRS") 9, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction,notwithstanding that it is a sale transaction from a legal perspective. The members of the LLP have concluded that BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the LLP does not recognise the mortgage loans on its balance sheet but rather a deemed loan to Originator. The initial amount of the deemed loan to Originator corresponds to the consideration paid by the LLP for the mortgage loans.

The activities of the LLP are conducted primarily by reference to a series of transaction documents (the "Programme Documentation"). The structure has been established as a means of raising finance for BOS and no business activities will be undertaken by the LLP beyond those set out in the Programme Documentation.

On 25 July 2003, the LLP initially acquired a £7bn beneficial interest in a mortgage loan portfolio originating from BOS and has acquired further beneficial interests in mortgage loan portfolios in subsequent years. In consideration for the beneficial interest in the mortgage loan portfolio, the LLP is required to give a combination of:

i. a cash payment to BOS from the proceeds of a term loan;
ii. a record of a capital contribution in kind being made by BOS; and
iii. deferred consideration which will be paid by the LLP on each LLP payment date in accordance with the relevant priority of payments.

The programme allows a maximum Covered Bond issuance, providing that the mortgage loan portfolios acquired and other assets available meet the Asset Coverage Test (the "ACT"), which states that the adjusted aggregate amounts of mortgage loans and other assets must be of an amount equal to or greater than the total amount of Covered Bonds in issue after taking into account other deductions.

Business review and future developments

The results for the year are disclosed on page 5. The LLP made a profit of £36,000 during the year (2018: £36,000).

No change to the current business activity is expected.

The Covered Bonds are issued in various currencies by BOS, with the Sterling equivalents being paid across to the LLP on issuance by way of a term loan. The Sterling equivalent amount of the Covered Bonds in issue at 31 December 2019 was £2.93bn (2018: £3.76bn). During the year £0.83bn of notes were repaid on their expected maturity dates (2018: £0.46bn) and there were no note cancellations (2018: £nil). No further notes were issued during the year (2018: £nil). At 31 December 2019, the total value of the mortgage loan portfolio legally acquired by the LLP was £5.21bn (2018: £6.30bn).

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

There has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects.The directors have assessed this to be a non-adjusting post balance sheet event. It is also deemed to have no impact on our going concem assessment.

LBG is managing the process to transition to alternative benchmark rates under its Group-wide IBOR Transition Programme. This programme is working towards ensuring that LBG has the market capability and infrastructure to deal with the reform.

From 25 March 2020 mortgage borrowers impacted financially by Covid-19 can request a payment holiday for up to three months. Where borrowers have made a successful application, they are not considered to be in a payment shortfall and as such will not be reported as delinquent. Payment holidays will reduce the revenue and principal received, however, liquidity remains available through existing structural mechanisms and note principal payments are modest in the next 12 months.

Key Performance Indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation and published as a monthly investor report on the LBG investor returns website (www.lloydsbankinggroup.com)

The management board is responsible for assessing the risk of irregularities, where caused by fraud or error in the financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

In order to assist the members to mitigate key risks, there is management board representation at a monthly meeting with programme managers. This meeting analyses and discusses the trends for the month and identifies any issues or required changes. Any such issues are then reported, further discussed and collectively agreed in accordance with the programme documentation that governs the transaction.

Members' Report (continued)

For the year ended 31 December 2019

Key Performance Indicators (KPIs) (continued)

The programme allows a maximum covered bond issuance, providing that the mortgage loan portfolios acquired and other assets available meet the ACT which states that the adjusted aggregate amounts of mortgage loans and other assets must be of an amount equal to or greater than the total amount of covered bonds in issue after taking into account other deductions.

Designated members

The designated members, and members, during the year and up to the date of signing the financial statements were as follows:

Bank of Scotland plc
Connery Limited

Members' interests

The policy regarding the allocation of profits to members and the treatment of capital contributions is set out in note 1 (significant accounting polices).

Management board

The members on the LLP management board during the year and subsequently were:

Gavin Parker
Peter Green
Tracey Hill

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 'Regulations') requires the members to prepare financial statements for each financial year. Under that law the members have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law as applied to limited liability partnerships, the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

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

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each member in office at the date the report is approved:
• So far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware; and
• The members has taken all the steps that he or she ought to have taken as a member in order to make him or herself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Risk management

The LLP's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation".

The LLP's financial instruments comprise a deemed loan to BOS (equivalent to the value of the LLP's investment in BOS mortgages), cash and liquid resources, loans and borrowings and various other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for BOS.

It is, and has been throughout the year under review, the LLP's policy that no trading in financial instruments is undertaken.

The principal risks arising from the LLP's financial instruments are credit risk, liquidity risk and interest rate risk. These and other risks which may affect the LLP's performance are detailed below. Further analysis of the risks facing the LLP in relation to its financial instruments and the LLP's financial risk management policies is provided in note 9.

Credit risk

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on the underlying UK residential properties. The performance of these loans is therefore influenced by the economic environment and the UK housing market.

Credit risk for the LLP is mitigated by the amount of overcollateralisation of the beneficial interest in mortgages which is provided by BOS and which is monitored using an ACT. The overcollateralisation is available in full for the benefit of the LLP.

Members' Report
For the year ended 31 December 2019

Liquidity risk

The ability of the LLP to meet its obligations to make principal and interest payments on the term loans and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the mortgage loans which support the deemed loan to the originator.

In the event that sufficient funds are not available to redeem the term loans or make the interest payments due, an amount equal to such a shortfall will be deferred until such funds are received. To the extent that the income on the deemed loan to Originator does not provide sufficient funds, the LLP has no other claim on the assets of BOS.

The LLP has made all necessary payments on the term loans in accordance with the scheduled repayment dates for the year ended 31 December 2019.

Interest rate risk

Interest rate risk is the possibility that changes in interest rates will result in higher financing costs and/or reduced income from the LLP's interest bearing financial assets and liabilities.

The mortgage loans in the cover pool comprise sterling loans which are subject to variable rates of interest set by BOS based on general interest rates and competitive considerations, loans which track the Bank of England base rate and loans which are subject to fixed rates of interest. To mitigate the changes in interest rates that may result in the cashflows from the mortgage pools being insufficient to meet the payments under the term loans, the LLP has entered into an interest rate basis swap with BOS. BOS was rated A+ (long term) by Standard & Poor's as at 31 December 2019 The basis swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it is incorporated into the deemed loan.

Operational risks

The LLP is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the LLP in accordance with the programme documentation. BOS has been appointed to provide corporate services in accordance with a corporate services agreement dated 20 October 2008 and to act as account bank, servicer and cash manager. Other third parties who have agreed to provide services with respect to the term loans include the paying agents and the agent bank.

Business risks

The principal business risks of the LLP are set out in a number of trigger events in the Programme Documentation, including some which relate to the underlying performance of the mortgage pool. The occurrence of trigger events may lead to a different priority of payments of the bonds in accordance with established priorities. There have been no such trigger events since inception of the programme.

Employees

The LLP had no employees during the year ended 31 December 2019 (2018;none).

Independent auditors

In accordance with the Companies Act 2006 as applied to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, a resolution for the reappointment of PricewaterhouseCoopers LLP as auditors of the LLP will be proposed at the forthcoming Annual members' meeting.

Statement of going concern

The LLP has continued to perform in line with the Programme Documentation. There are certain rating and non-rating triggers included in the Programme Documentation as referred to in the annual report and accounts in Key Performance Indicators (Members' Report) and in the monthly investor report. In the course of their regular monitoring of these Key Performance Indicators and review of risk, the members are confident that these triggers remain un-breached and will remain so for the foreseeable future, despite the current adverse environment.

For this reason, the members continue to adopt the going concern basis in preparing the financial statements.

The LLP holds no reserves because all available profits are distributed each year to the members.

Signed for and on behalf of the members of HBOS Covered Bonds LLP

Gavin Parker
on behalf of Bank of Scotland plc
Designated Member

Trinity Road
Halifax
West Yorkshire
HX1 2RG

28 April 2020

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Interest receivable and similar income	2	24,114	22,491
Interest payable and similar charges	3	(23,968)	(22,407)
Net interest income		146	84
Operating expenses	4	(110)	(48)
Profit before tax		36	36
Taxation		-	-
Profit for the financial year and total comprehensive income available for division among members	8	36	36

The profit shown above is derived from continuing operations. The LLP is domiciled in the UK and operates in a single business segment. All of the LLP's activities are in the UK.

The accompanying notes on pages 9 to19 are an integral part of the financial statements.

Balance sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents		85,719	118,551
Deemed loan to Originator	5	2,844,983	3,644,221
Total assets		2,930,702	3,762,772
Members' other interests and liabilities			
Loans and borrowings	6	2,930,666	3,762,754
Trade and other payables		36	18
Total liabilities		2,930,702	3,762,772
Reserves	8	-	-
Total members' other interests		-	-
Total members' other interests and liabilities		2,930,702	3,762,772
Total members' interests			
Reserves	8	-	-
Deemed loan to Originator	5	(2,844,983)	(3,644,221)
Loans and borrowings	6	2,930,666	3,762,754
		85,683	118,533

The notes on pages 9 to 19 form an integral part of the financial statements.

These financial statements on pages 5 to 19 were approved by the members on 28 April 2020 and were signed on their behalf by:

Gavin Parker
on behalf of Bank of Scotland plc
Designated Member

Statement of changes in members' other interests
For the year ended 31 December 2019

	2019 £'000	2018 £'000
	Reserves	Reserves
Balance as at 1 January	-	-
Profit for the financial year and total comprehensive income	36	36
Capital distribution	(36)	(36)
Balance as at 31 December	-	-

The notes on pages 9 to 19 form an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Operating activities		
Audit fees paid	-	(22)
Administration expenses paid	(92)	(30)
Net cash flows used in operating activities	(92)	(52)
Investing activities		
Decrease in deemed loan to Originator	822,791	461,261
Bank interest received	561	452
Net cash flows generated from investing activities	823,352	461,713
Financing activities		
Decrease in term loans	(831,875)	(453,550)
Interest on term loans	(24,181)	(22,074)
Distribution of profits paid to members	(36)	(36)
Net cash flows used in financing activities	(856,092)	(475,660)
Net decrease in cash and cash equivalents	(32,832)	(13,999)
Change in cash and cash equivalents	(32,832)	(13,999)
Cash and cash equivalents at start of year	118,551	132,550
Cash and cash equivalents at end of year	85,719	118,551

The cash flow statement is presented using the direct method of calculation.

The accompanying notes on pages 9 to 19 are an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2019

1. Significant accounting policies

The LLP was incorporated in England and Wales as a limited liability partnership.

(a) Basis of preparation

The financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union.

The standards applied by the LLP are those endorsed by the European Union and effective at the date the financial statements are approved by the members. All accounting policies have been consistently applied in the financial statements.

There are no new or amended accounting standards that have required a change to accounting policies for the year.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006, as applying to Limited Liability Partnerships.

The LLP has continued to perform in line with the Programme Documentation. The members are satisfied that the LLP has adequate resources to continue to operate for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

The financial statements are presented in Sterling which is the LLP's functional and presentation currency and have been prepared on the historical cost basis.

(b) Interest income and payable

Interest receivable and similar income and interest payable and similar charges have been calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

(c) Accrued interest

Accrued interest has been incorporated within the deemed loan to Originator and within the outstanding balance of term loans on the balance sheet. An analysis of principal on the loans and accrued interest can be found in note 5.

(d) Taxation

Taxation on all partnership profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation are accounted for in these financial statements.

(e) Financial instruments

The LLP's financial instruments comprise a deemed loan to BOS (equivalent to the value of the LLP's investment in BOS mortgages), cash and liquid resources, loans and borrowings and various other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for BOS. These financial instruments are classified in accordance with the principles of IFRS 9 as described below.

(e)(i) Deemed loan to Originator

Under IFRS 9, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The members of the LLP have concluded that BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the LLP does not recognise the mortgage loans on its balance sheet but rather a deemed loan to Originator, where recourse to BOS is limited to the cash flows from the mortgage loans and any additional credit enhancement provided by BOS.

The initial amount of the deemed loan to BOS corresponds to the consideration paid by the LLP for the mortgage loans. The LLP recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to BOS are not recognised by the LLP.

The deemed loan to Originator is classified as "loans and receivables". The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the deemed loan is calculated with reference to the interest earned on the beneficial interest in the mortgage portfolio less the residual interest due to BOS. Under the terms of the mortgage sale agreement, BOS retains the right to receive excess income arising on those loans, after certain higher priority payments have been met by the LLP.

Impairment of financial assets

The deemed loan to the Originator is subject to impairment reviews in accordance with IFRS 9. This could occur if the credit quality of the mortgage assets that are pledged as collateral for the loan significantly deteriorated. Taking into account the credit enhancement provided by, amongst other features, the overcollateralisation of the LLP, the members currently consider that no impairment exists.

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Significant accounting policies (continued)

Interest rate basis swap with Originator

Interest rate risk associated with the deemed loan to Originator is managed by means of an interest rate basis swap with BOS, which requires the LLP to pay an amount calculated with reference to the interest received on the beneficial interest in the mortgage portfolio and receive payments based on a rate linked to one-month Sterling London Interbank Offered Rate (LIBOR).

This swap is not recognised separately as a financial instrument as the amounts payable under the swap reflect interest flows from the mortgage loans which are not recognised by the LLP for accounting purposes. Instead, the deemed loan to BOS is recognised with an effective interest rate which reflects the net amount received or paid under the swap.

Interest receivable or payable on the interest rate basis swap is accounted for on an accruals basis within interest receivable on the deemed loan.

(e)(ii) Cash and cash equivalents

The LLP holds deposits with the provider of a guaranteed investment contract bank account ("GIC account") and a transaction bank account with the same provider. These financial statements are held in the LLP's name and meet the definition of cash and cash equivalents. All cash disclosed on the face of the balance sheet is restricted by a detailed priority of payments set out in the Programme Documentation. As the cash can be used only to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

These bank accounts are classified as "loans and receivables" in accordance with IFRS 9 and income is being recorded within interest receivable and similar income using the effective interest method.

(e)(iii) Financial guarantees

Financial guarantees are contracts that require the LLP to make specified payments to reimburse the Noteholder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. No additional liability over and above the interest and principal already detailed in the accounts would be payable.

Where the LLP enters into financial guarantee contracts to guarantee the indebtedness of BOS, the LLP treats such guarantee contracts as a contingent liability until such time as it becomes probable that the LLP will be required to make payment under the guarantee. This is not applicable at this time.

(e)(iv) Loans and borrowings

Loans and borrowings are recognised initially at fair value less directly related incremental transaction costs. These instruments are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest basis. The term loans which are equivalent (determined at the date of issuance) to the proceeds of the Covered Bonds are accounted for on this basis.

Capital contributions from members are non-interest-bearing but a nominal profit share amount is paid out in accordance with the priority of payments (see (f) below) and included as part of profit for the financial year available for division amongst members.

(f) Contributions and drawings

Under the terms of the Programme Documentation for the sale of the mortgage loans, BOS is treated as having made a capital contribution to the LLP in an amount equal to the difference between the current balance of the loans sold at each transfer date and the cash payment made by the LLP for the loans and relevant security on that transfer date. The outstanding capital contributions are not reflected in the financial statements of the LLP as there has been no sale of mortgages for accounting purposes.

BOS may from time to time make cash contributions to the LLP which will constitute cash capital contributions. No interest is paid on the members' capital balances. Capital distributions may only be made in accordance with the Programme Documentation where sufficient principal receipts are available and higher priority payments have been made.

Under the priority of payments, payment to the members of the sum of £36,000 in aggregate (or such other sum as may be agreed by members from time to time), is allocated and paid to each member in proportion to their respective capital contribution balances as at the relevant monthly calculation date, subject to a minimum of £1 each, as their profit for their respective interests as members in the LLP.

During the year and in the previous year, £35,988 was allocated to BOS and £12 was allocated to Connery Limited.

(g) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those segments operating in other economic environments.

The members of the LLP consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

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

1. Significant accounting policies (continued)

(h) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates.

These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Fair value calculations

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

(i) Related parties

In accordance with the provisions of IAS 24 'Related Party Disclosures', the LLP has disclosed details of transactions with its related parties, BOS and Intertrust.

(j) Other payables

Other payables are stated at cost.

(k) Value added tax

Value added tax is not recoverable by the LLP and is included with its related cost.

2. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable on deemed loan	23,553	22,039
Bank interest receivable	561	452
	24,114	22,491

3. Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to BOS on term loans	23,968	22,407

4. Operating expenses

	2019 £'000	2018 £'000
Administration charges	92	30
Audit fees	18	18
	110	48

Audit fees relate to the statutory audit. There are no fees payable to the auditors and their associates for services other than the statutory audit (2018: none).

The audit fee for the current year, net of VAT, was £15,000 (2018: £15,000).

The LLP has no employees (2018: none) and none of the members received any emoluments from the LLP in the current or previous year.

Notes to the financial statements (continued)

For the year ended 31 December 2019

5. Deemed Loan to Originator

The mortgage portfolio, which is accounted for as a deemed loan to Originator and in which the LLP holds a beneficial interest, is held by BOS. The mortgage loans are secured on residential property in England, Wales and Scotland. Mortgages in the pool have to fulfil certain criteria. If they fail to do so they are removed from the pool and the pool may be replenished.

	2019 £'000	2018 £'000
Principal - non-current	2,844,067	3,643,092
Accrued interest - current	916	1,129
Total	2,844,983	3,644,221

The loan is expected to be repaid on the final maturity date of the term loans.

6. Loans and borrowings

This note provides information about the contractual terms of the LLP's loans and borrowings. For more information about the LLP's exposure to interest rate risk, see note 9.

Loans and borrowings comprise a series of term loans from BOS, equivalent (determined at the date of issuance) to the amounts raised under its Covered Bond Programme. Each term loan bears interest at a rate set with reference to LIBOR for one-month Sterling deposits.

BOS will not be relying on repayment of any term loan by the LLP nor the interest thereon in order to meet its repayment or interest obligations under the Covered Bonds. The term loans will not be repaid by the LLP until all amounts payable under the corresponding series of Covered Bonds have been repaid in full. Amounts owed by the LLP will be paid in accordance with the priority of payments as detailed in the Programme Documentation.

The Covered Bonds issued by BOS are unconditionally guaranteed by HBOS plc (the "Group Guarantor"). Under the terms of the Trust Deed, the LLP has also provided a guarantee as to payments of interest and principal under the Covered Bonds, where amounts would otherwise be unpaid by BOS or the Group Guarantor. The obligations of the LLP under its guarantee constitute direct obligations of the LLP secured against the assets from time to time of the LLP and recourse against the LLP is limited to such assets. The principal asset is the beneficial interest in the mortgage loans acquired from BOS.

Where the LLP enters into financial guarantee contracts to guarantee the indebtedness of BOS, the LLP treats such guarantee contracts as a contingent liability until such time as it becomes probable that the LLP will be required to make a payment under the guarantee. This is not applicable at this time.

Non current **Principal term loans with BOS:**	2019 £'000	2018 £'000
GBP	1,891,750	2,929,750
Non current total	1,891,750	2,929,750
Current **Principal term loans with BOS:**		
GBP	1,038,000	831,875
Accrued interest Interest due on term loans	916	1,129
Current total	1,038,916	833,004
Total	2,930,666	3,762,754

7. The covered bond swap agreement

The LLP has entered into a Covered Bond swap agreement with BOS. This agreement provides a hedge against interest rate, currency and/or other risks in respect of amounts received by the LLP under the mortgage loans and the interest rate swap and amounts payable by the LLP under the Covered Bond guarantee in respect of the Covered Bonds.

The Covered Bond swap agreement provides a hedge against risks the LLP is exposed to, only following an HBOS event of default and the service on the LLP of a notice to pay. As such, no payments of interest or exchanges of principal are due and payable under this agreement prior to these events. In accordance with the terms of this swap, the swap provider will pay to the LLP amounts equivalent to the amounts that would be payable by the LLP under the Covered Bond guarantee in respect of interest and principal payable under the Covered Bonds and, in return, the LLP will pay to the Covered Bond swap provider on each LLP payment date an amount equal to one-month Sterling LIBOR for the relevant interest period plus a spread.

Notes to the financial statements (continued)

For the year ended 31 December 2019

8. Total members' interests

2019

	Members' interests - capital £'000	Members' interests - reserves £'000	Total £'000	Loans due to /(from) members £'000	Total £'000
Members' interests as at 1 January 2019	-	-	-	118,533	118,533
Profit for the financial year/ total comprehensive income available for division among members	-	36	36	-	36
Loans introduced by members	-	-	-	798,815	798,815
Repaid to members	-	(36)	(36)	(831,665)	(831,701)
Members' interests as at 31 December 2019	-	-	-	85,683	85,683

The loans and other debts due to / (from) members can be analysed as follows;

	Members' interests as at 31 December 2019 £'000
Amounts due to members	2,930,666
Amounts due from members	(2,844,983)
	85,683

2018

	Members' interests - capital £'000	Members' interests - reserves £'000	Total £'000	Loans due to /(from) members £'000	Total £'000
Members' interests as at 1 January 2018	-	-	-	132,528	132,528
Profit for the financial year/ total comprehensive income available for division among members	-	36	36	-	36
Loans introduced by members	-	-	-	457,937	457,937
Repaid to members	-	(36)	(36)	(471,932)	(471,968)
Members' interests as at 31 December 2018	-	-	-	118,533	118,533

The loans and other debts due to / (from) members can be analysed as follows;

	Members' interests as at 31 December 2018 £'000
Amounts due to members	3,762,754
Amounts due from members	(3,644,221)
	118,533

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Management of risk

All of the LLP's assets and liabilities have been classified as financial instruments in accordance with IAS 32 'Financial Instruments: Presentation'.

The LLP's financial instruments principally comprise a deemed loan to BOS (equivalent to the value of the LLP's investment in BOS mortgages), cash and liquid resources, loans and borrowings and various other receivables and payables that arise directly from its operations.

The principal risks arising from the LLP's financial instruments are credit risk, interest rate risk and liquidity risk. Further detailed analysis of the risks facing the LLP in relation to its financial instruments is provided below.

The LLP's exposure to risk on its financial instruments and the management of such risk is largely determined at the initial set-up of the LLP. The LLP's activities and the role of each party to the transaction is clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and as such is required by the rating agencies. For this reason, sensitivity to risk is minimal.

In addition an interest rate basis swap is entered into with the Originator as part of the transaction to hedge interest rate risk arising in the transaction including the obligations under the term loans. The swap counterparty is selected as a regulated financial institution and this reduces the risk of default and loss for the LLP. Additional credit protection may be afforded by the requirement for the swap counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

Following initial set-up, the members monitor the LLP's performance, reviewing monthly reports on the performance of the mortgages. Such review is designed to ensure that the terms of the Programme Documentation have been complied with, that no unforeseen risks have arisen and that the interest and principal on the term loans have been paid on a timely basis. Where necessary, the members also make appropriate enquiries of the LLP's professional advisers concerning specific matters which may affect the nature and extent of particular risks to the LLP.

9(a). Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the LLP.

The LLP has a concentration of risk as BOS is the Originator of the mortgages, the LLP's account bank provider, swap counterparty, servicer of the mortgages and cash manager.

Credit risk arises on the individual loans within the mortgage loan portfolio which are secured on UK residential properties. The performance of these loans is therefore influenced by the economic background and the UK housing market. The ability of the LLP to pay the term loan interest and principal to BOS will depend on the amount and timing of payment of interest and principal on the mortgage loans by the borrowers.

In terms of arrears management, the LLP has engaged BOS as servicer of the loans in the portfolio to help reduce the risk of loss. The servicer is required to monitor repayments on the mortgage loans in accordance with its usual credit policies. The servicer is also responsible for ensuring mortgage loans in the pool meet the eligibility criteria set out in the Programme Documentation.

Credit enhancement is provided to the LLP by BOS. The income on the mortgage pool is expected to exceed the LLP's expenses and the interest payable on the term loans. Any excess income that is not required to meet expenses or interest payments is returned to the Originator as deferred consideration.

Credit risk for the LLP is mitigated by the amount of overcollateralisation of the beneficial interest in mortgages which is provided by BOS and which is monitored using an ACT. The overcollateralisation is available in full for the benefit of the LLP. The Programme Documentation provides that the LLP and its members should ensure that the adjusted aggregate loan amount of the mortgage pool asset and cash is at least equal to or greater than the aggregate amount outstanding on the Covered Bonds on each calculation date after taking into account other deductions. The adjusted loan amount is the balance of the mortgage loans after adjusting for various set-offs and adjustments unique to particular groups of loans, together with allowances for loan defaults. The credit support as derived from the ACT as at 31 December 2019 was £1,145,249 (2018: £1,031,945).

In the event that there is a breach of the ACT, the members are required to take steps to make good the deficit by providing the necessary capital contributions in order that the ACT breach is rectified before the next ACT calculation. If there is a breach at the following calculation date, this will constitute an HBOS event of default, which will entitle the bond trustee to serve an HBOS acceleration notice on BOS as the issuer of the Covered Bonds and the Group Guarantor, HBOS plc. Upon service of such notice, the bond trustee will serve a notice to pay on the LLP under the Covered Bond guarantee. This would require the LLP to repay all amounts outstanding on the Covered Bonds, including principal and accrued interest amounts.

The total mortgage pool made available to the LLP at 31 December 2019 amounted to £5.21bn (2018: £6.30bn). As noted in the accounting policies section, the LLP does not recognise the mortgage pool but rather a deemed loan to the Originator to the extent of the cash consideration paid to BOS.

To the extent that the income on the deemed loan does not provide sufficient funds to recover the LLP's investment in the mortgage portfolio, the LLP has no further claim on the assets of BOS. During the current year, sufficient cash has been received from the deemed loan to enable the LLP to make all necessary principal and interest payments on the term loans following repayment of the related series of Covered Bonds by BOS.

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

9. Management of risk (continued)

9(a). Credit risk (continued)

The LLP assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Covered Bonds issued by BOS and by association the term loans received by the LLP, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

	Rating as at date 31 December 2019	Rating as at date of approval of financial statements
	Standard & Poor's	Standard & Poor's
BOS as provider of:		
Covered bond swap, interest rate swap and bank accounts	Short term: A-1	Short term: A-1
	Long term: A+	Long term: A

In the event that a swap counterparty is downgraded by a rating agency below the ratings specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, procuring another entity with sufficient rating to become co-obligor for its obligations, or taking such other action as it may agree with the relevant rating agency.

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the LLP's financial assets at the reporting date equates to carrying value.

At the balance sheet date all financial assets subject to credit risk were neither past due nor impaired. A financial asset is "past due" if a counterparty has failed to make a payment when contractually due.

9(b). Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The LLP minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar; where this is not possible the LLP uses derivative financial instruments to mitigate interest rate risk. The deemed loan to Originator, the term loans and the cash and cash equivalents are exposed to cash flow interest rate risk caused by floating interest rates that are reset periodically.

An interest rate basis swap has therefore been entered into with BOS to manage the LLP's exposure to interest rate risk associated with the deemed loan and the term loans.

The underlying mortgage pool comprises loans which are subject to variable rates of interest set by BOS based on general interest rates and competitive considerations, loans which track the Bank of England base rate and loans which bear fixed rates of interest. Under the terms of the swap, the LLP pays an amount calculated with reference to the interest received from the mortgage pool and receives interest on a LIBOR rate set with reference to one-month Sterling deposits. This mitigates the effect of changes in interest rates that might result in the interest cash flows from the mortgage pool being insufficient to meet the payments under the term loans.

The interest rate basis swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the deemed loan to Originator.

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Management of risk (continued)

9(b). Interest rate risk

Securitised mortgage assets

Secured mortgage loans can be analysed according to the rating systems used by the LLP and Originator when assessing customers and counterparties.

For the purposes of the LLP's disclosures regarding credit quality, total secured mortgage loans subject to credit risk have been analysed as follows:

Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated.

Stage 2 – Financial assets which have experienced a significant increase in credit risk

Stage 3 - Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Financial assets are considered to be credit impaired and included in stage 3 when there is objective evidence of credit impairment. BOS assesses a loan as stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay, or the loan is otherwise considered to be in default.

2019 Mortgage balance by impairment stage	**Mortgage balance £'000**	**Number of accounts**
Stage 1	5,144,116	66,763
Stage 2	62,044	682
Stage 3	-	-
	5,206,160	67,445

2018 Mortgage balance by impairment stage	**Mortgage balance £'000**	**Number of accounts**
Stage 1	6,222,905	77,955
Stage 2	72,476	783
Stage 3	-	-
	6,295,381	78,738

Collateral held against retail mortgage lending comprises residential properties.

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Management of risk (continued)

9(c). Liquidity risk

Liquidity risk is the risk that the LLP is not able to meet its financial obligations as they fall due.

The ability of the LLP to meet payments on the term loans as they fall due is dependent on timely receipt of funds from the deemed loan to Originator which may be delayed due to slow repayment on the mortgage portfolio (see 9(a) Credit risk above).

Principal repayments are made on the term loans with BOS in accordance with the LLP's principal priority of payments and reflect the amount of principal collection on the underlying mortgage loans.

In the event that the LLP does not have sufficient cash flows from the underlying mortgage loans in order to be able to repay the term loans as and when they fall due, the members may be required to make cash capital contributions, extend the repayment of the term loans, or sell mortgages from the mortgage pool, in accordance with the terms of the Programme Documentation.

The liquidity tables below reflect the undiscounted cash payments which will become due if the structure continues until the contractual maturity date as set out in the Programme Documentation. *It is anticipated that the interest and principal received on the deemed loan to Originator will be sufficient to allow repayment of the term loans.*

2019	Carrying value	Contractual repayment value	Not later than one month	Later than one month not later than 3 months	Later than three months not later than one year	Later than one year and not later than five
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Term loans with BOS	2,929,750	2,929,750	-	1,038,000	-	1,891,750
Trade and other payables	36	36	-	36	-	-
Interest payable						
Term loans with BOS	916	49,381	-	15,259	-	34,122
	2,930,702	2,979,167	-	1,053,295	-	1,925,872

2018	Carrying value	Contractual repayment value	Not later than one month	Later than one month not later than 3 months	Later than three months not later than one year	Later than one year and not later than five
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Term loans with BOS	3,761,625	3,761,625	-	-	831,875	2,929,750
Trade and other payables	18	18	-	18	-	-
Interest payable						
Term loans with BOS	1,129	37,175	-	-	7,406	29,769
	3,762,772	3,798,818	-	18	839,281	2,959,519

9(d). Fair values

Financial assets and liabilities held at amortised cost

Deemed loan to Originator

In standard market practice, the carrying value of the variable rate loans is assumed to be their fair value. The deemed loan to Originator includes an interest rate swap which is not recognised separately. The swap accrual is based on variable rates (one-month LIBOR rates). The principal of the loan is consideration for the underlying pool of mortgages which are significantly held at variable rate. For these reasons, the fair value of this asset is considered to be a close approximation to amortised cost.

Trade and other payables

Trade and other payables are recognised at cost. The fair value of these liabilities is considered to be a close approximation to cost due to the short term nature of these liabilities.

Loans and borrowings

Loans and borrowings are held in sterling and are at variable rates of interest (one-month LIBOR rates). The fair value of these liabilities is considered to be a close approximation to amortised cost.

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

10. Related Parties

The LLP is a special purpose entity controlled by BOS, one of the two designated members. BOS is a subsidiary undertaking of LBG. The second designated member is Connery Limited.

During the year the LLP paid fees of £7,081 and £8,097 to Intertrust Finance Management Offshore Limited on behalf of Connery Limited and Connery Holdings Limited in respect of the provision of corporate administration services (2018: £10,851 and £10,121 respectively).

The LLP has provided a deemed loan to BOS as Originator of the mortgages, on which the LLP receives income. In addition, the LLP pays cash management and mortgage loan servicing fees to BOS in connection with its provision of services defined under the Programme Documentation. BOS is the counterparty to the interest rate basis swap agreement and the swap payments for the LLP are included in the income from the deemed loan.

BOS has provided a series of term loans to the LLP, on which the LLP pays a variable rate of interest. Certain expenses which are included in other operating expenses may subsequently be paid or reimbursed directly by BOS.

The LLP has placed its deposit account with BOS, as a provider of a GIC bank account, and it is contractually entitled to a variable rate of interest of 25 basis points per annum below LIBOR for one-month Sterling deposits.

During the year, the LLP undertook the transactions set out below with companies within the LBG group:

At 31 December	Parent 2019 £'000	Other Related Parties 2019 £'000	Parent 2018 £'000	Other Related Parties 2018 £'000
Interest receivable and similar income				
Income receivable on deemed loan	23,553	-	22,039	-
Bank interest receivable	561	-	452	-
Interest payable and similar charges				
Interest payable to BOS on term loans	23,968	-	22,407	-
Operating expenses	-	15	-	21
Assets				
Cash and cash equivalents	85,719	-	118,551	-
Deemed loan to Originator	2,844,983	-	3,644,221	-
Liabilities				
Term loans with BOS	2,930,666	-	3,762,754	-

11. Post balance sheet event

Since the balance sheet date there has been a global pandemic from the outbreak of Coronavirus which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The directors assess this event to be a non-adjusting post balance sheet event. In view of its currently evolving nature, the directors are unable to estimate its financial and other effects.

From 25 March 2020 mortgage borrowers impacted financially by Covid-19 can request a payment holiday for up to three months. Where borrowers have made a successful application, they are not considered to be in a payment shortfall and as such will not be reported as delinquent. Payment holidays will reduce the revenue and principal received, however, liquidity remains available through existing structural mechanisms and note principal payments are modest in the next 12 months.

12. Future Accounting Pronouncements

The following pronouncement is not applicable for the year ending 31 December 2019 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of this accounting change is still being assessed by the Company and reliable estimates cannot be made at this stage. At the date of signing these financial statements, this pronouncement had been endorsed by the EU.

Minor amendments to other accounting standards
The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements). These amendments are not expected to have a significant impact on the Company.

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

13. Parent undertaking and controlling party

The designated members of the LLP are BOS plc and Connery Limited (as Liquidation Member).

For accounting purposes under IFRS, the LLP's ultimate parent and controlling party is LBG plc. The LLP's results are included within the consolidated financial statements of LBG plc. Copies of the group financial statements may be obtained from the Company Secretary's Office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The Company meets the definition of a special purpose entity under IFRSs. In accordance with IFRS 10 Consolidated Financial Statements, the Company's financial statements are consolidated within the group financial statements of LBG for the year ended 31 December 2019.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is BOS plc. Copies of the consolidated annual report and financial statements of BOS plc may be obtained from Group Secretariat, LBG plc, 25 Gresham Street, London, EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

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

Independent auditors' report to the members of HBOS Covered Bonds LLP

Report on the audit of the financial statements

Opinion

In our opinion, HBOS Covered Bonds LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Members' Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019;, the statement of comprehensive income, the cash flow statement, and the statement of changes in members' other interests for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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 limited liability partnership'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 members 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 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.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the statement of members' responsibilities set out on page 3, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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 opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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 as applicable to limited liability partnerships 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 limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
28 April 2020