Hodge Life Assurance Company Limited

Annual report and financial statements
31 October 2019
Registered number 00837457

Officers and professional advisers

Directors	Adrian Piper	Chairman B.A., M.Sc., M.C.I.P.D., M.C.I.M.
	Sam Gunter	Chief Actuary B.Sc., F.I.A.
	Deian Jones	Chief Executive B.Sc., A.C.A.
	Stephen Pateman	Group Chief Executive F.C.I.B.S.
	David Landen	Chief Financial Officer B.Sc., F.C.C.A.
	Alun Bowen	M.A., F.C.A.
	Helen Molyneux	LLD (Hons), LLB (Hons).
	John Barbour	B.Sc., MBA.
	David Gulland	F.I.A. B.A.
	Graeme Hughes	A.C.I.B., M.B.A.
Company Secretary	Kirsty Williams	
Registered office	One Central Square Cardiff CF10 1FS	
Auditor	Ernst & Young LLP Bristol	
Principal bankers	Lloyds Bank Plc London	
Economic adviser	Professor Patrick Minford Cardiff Business School	

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Chairman's Statement

I am pleased to present the financial statements for the year ended 31 October 2019.

Hodge Life Assurance Company ('Hodge Life', the 'Company') is part of the Hodge Limited group's (the 'Group') brand in the retirement market, focusing on later life lending and annuity products. Having been established in 1965, we were the first entrant into the equity release market and have been a constant presence ever since.

Economic outlook

The year ended 31 October 2019 was undoubtedly a challenging environment for our business with historically low interest rates which impacted capital levels however they had a positive effect on the IFRS results. Whilst the economic outlook is decidedly challenging reflecting the uncertainty over the UK's future relationship with the European Union and the lower forecasts for global growth, both of which could impact asset valuations and the earnings required to service liabilities, we believe that there are good opportunities for growth across our businesses within a prudent risk appetite and we look to the future with a quiet confidence, underpinned by the strength of our people and the long term commitment of our shareholders.

For many retirees, securing a guaranteed income for life remains an important priority and annuities are a key product to enable this. We back our annuity liabilities with a range of long-term assets, including lifetime mortgages which are a good match for these liabilities given their long-term fixed rates of interest. The mortgages are originated by our mortgages business which means collaborative working is vital to our approach.

The retirement landscape is changing rapidly, with many people working longer and taking a more phased approach to retirement and how they grow their pensions. This change presents a number of new opportunities for Hodge Life.

The move from final salary pensions to money purchase saving schemes is increasing the amount of money that could be used to purchase annuities which will, in turn, increase the size of our target market.

With the advent of Pension Freedoms came a more holistic approach to financial planning in retirement, and the role of property wealth is being given more consideration. We anticipate these developments will encourage a greater use of lifetime mortgages alongside annuities and similar products, to provide an appropriate level of retirement income.

People are living longer which is undoubtedly going to put more pressure on the need to pay for long term care and a range of new insurance needs. We are actively investigating opportunities to broaden our product range to meet some of these newly emerging needs.

As with all areas of the business we continue to invest in our product and service capability. We were delighted to be recognised as the "Best Annuity Provider" at the 2019 Moneyfacts Investment Life and Pensions Awards.

Financial Performance

The Company has made a post-tax profit of £11.7 million for the year (2018: £4.9 million). The return on equity based on the profit after taxation as a percentage of the opening Shareholders' funds amounts to 8.1% (2018: 3.2%).

Five Year Summary

	FRS 101				
	2019	**2018**	**2017**	**2016**	**2015**
	£m	**£m**	**£m**	**£m**	**£m**
Earned premiums	**41.6**	**47.5**	**29.3**	**61.3**	**37.6**
Profit before tax	**14.4**	**6.1**	**14.8**	**27.3**	**15.7**
Total assets	**663.6**	**590.8**	**582.3**	**583.4**	**463.0**
Shareholders' funds	**156.0**	**144.3**	**155.4**	**143.5**	**121.4**

Chairman's Statement (continued)

In February 2019, the Board agreed a new strategy for the financial services businesses within the Group that will target a long-term return on equity of 12%.

Within Hodge Life, we had to contain our capacity to write annuities to a lower level than 2018 as low interest rates adversely impacted Solvency Capital levels: this also impacted our ability to accommodate lifetime mortgages.

The underlying level of profit remains strong, a profit of £3.8 million was generated from the in-force portfolio and a further profit of £1.6m from new business.

During the year we completed a project to rationalise the allocation of expenses across the wider Hodge group, which decreased the expenses used in the calculation of the provision for long term business.

The adoption of the CMI 2018 mortality projection model resulted in a favourable impact on the provision for long term business but resulted in an adverse impact on the fair value of lifetime mortgages.

The low interest rate environment had a favourable impact on the fair value of the lifetime mortgages but an adverse impact on the provision for long term business.

The capital strain of writing new business remains high because the Company does not currently benefit from the Matching Adjustment under Solvency II. We are midway through a project to prepare our Matching Adjustment application. We anticipate that the application process will be complete in the coming months and we are seeking to have regulatory approval in 2021. Our focus therefore remains on capital management until Matching Adjustment approval is granted.

The Solvency Coverage Ratio decreased from 183% to 165% as a result of the low interest rate environment.

Whilst we will need to contain annuity and lifetime mortgage flow until Solvency Capital levels improve, we would anticipate making significant progress on capital efficacy in our Life business in the short term through a combination of reinsurance and product diversification so that we can achieve our longer-term goal of a return on equity in this business of 12%. This goal can be achieved from a significant uplift in annuity and lifetime mortgage flow.

Regulatory matters

Over the course of the past two years, the Prudential Regulation Authority has published a number of consultation papers relating to the Matching Adjustment and illiquid assets, with a particular focus on equity release mortgages. The policy statement, PS31/18, published on 10th December 2018, sets out quantitative actuarial assumptions and valuation tests that must be adhered to with effect from 31 December 2019. Recognising the Company's investment in equity release through lifetime mortgages and reversions, we have been an active participant in the consultation process, and will have to apply these requirements from the point at which its Matching Adjustment application is approved.

We have anticipated the impact of the latest policy statement and included it in our Matching Adjustment project planning. Given our long-term experience of growing and managing portfolios of lifetime mortgages, we do not expect that this will restrict the overall level of Matching Adjustment benefit we may obtain. In addition, there is expected to be no impact on the current capital requirements.

Chairman's Statement (continued)

Governance and the Board

Steve Pateman joined us in January 2019 from Shawbrook and has made a very encouraging start; I and the Board would like to extend our appreciation to David Austin who retired this year after 28 years with Hodge. One cannot overstate his contribution over many years through many challenges and we wish him well in his retirement.

Alongside the changes in executive leadership, the Board has continued to evolve. David Gulland has joined us to chair the newly formed Risk and Conduct Committee within Hodge Life and Graeme Hughes has been appointed as Senior Independent Director and will lead the search for my replacement when I stand down at the end of April 2020.

David has an extensive background in life assurance and his actuarial experience will help the Board provide appropriate challenge and oversight as we seek to optimise our capital profile.

Graeme joins us after a long and successful career at Nationwide where he was the Group Distribution Director; responsible for all sales and service activities.

Alun Bowen will continue to be a member of the Risk and Conduct Committee until his retirement at the end of our next financial year. Alun has been and continues to be someone whose experience and commercial insights are very relevant to our business.

Jonathan Hodge has also stepped down from the Board of Hodge Life after 36 years as initially an Executive Director and from 2006 as the Director representing the Shareholder's interests. Jonathan will retain an active interest in the business through his role as Chairman of The Carlyle Trust Limited. It is important however to record our thanks to Jonathan for his energy, commitment, professionalism, wise and effective counsel over the many years he has served on the Board.

I would like to close what will be my final Chairman's Statement by extending my thanks to my colleagues on the Board for their wise counsel and support, to the executive leadership team and their staff for all their endeavour and commitment which underpins a robust set of results, in spite of all the headwinds, laying strong foundations for our future and finally to Jonathan Hodge for giving me the opportunity to play a part in a business that has been and continues to be unique in its ownership, ethos and approach not just in South Wales but across the financial services industry.

Adrian Piper
Chairman
19 December 2019

Strategic Report

Principal Activities
The principal activity of the Company is the provision of pension annuities and lifetime mortgage products.

Corporate Strategy
The Board has adopted a strategic plan with the long-term aim of achieving stable returns and modest capital growth in accordance with the requirements of its shareholder. At the heart of the Company's philosophy is a wish to protect its capital base for the benefit of its annuitants and its shareholder by conducting business in those areas where it has the greatest expertise and experience and best understands the risks which it is taking.

A rolling five-year strategy is approved by the Board annually, complemented by a detailed business plan for the forthcoming financial year. The Board sets aside specific time during the year to review its strategy and to gauge progress towards its achievement. The current strategy is based on participation in the pension annuity market and investing in a range of assets including lifetime mortgages, which are considered to offer stable risk-adjusted returns over the long term.

Risk appetite
On an annual basis, in the context of the Board's review of its strategy, the Board establishes a risk appetite with appropriate key risk indicators and risk limits for executive management. The Board monitors adherence to the risk appetite on a regular basis.

Business review and future developments
A review of business and future developments is included in the Chairman's statement on pages 1 to 3.

Results and dividends
The profit for the year after taxation amounted to £11.7m *(2018: £*4.9m*),* a dividend of £nil million (2018: £16.0m) was paid during the year (note 22).

Corporate Governance
A comprehensive corporate governance framework is vital in supporting executive management in its execution of strategy and in driving long-term sustainable performance. It helps ensure that the Shareholder's investment in the Company is protected, whilst at the same time, recognising the interests of our wider stakeholders.

This statement explains the extent to which the Company has applied the principles of good governance contained in The UK Corporate Governance Code (2018) for the year ended 31 October 2019.

The Board comprises of four executive and six non-executive directors. The roles of Chairman and Chief Executive are separate to ensure that neither can exercise unfettered powers of decision-making on matters of material importance.

The Board has sought to ensure that directors are properly briefed on issues arising at Board meetings by:
- distributing papers sufficiently in advance of meetings;
- considering the adequacy of the information provided before making decisions; and
- deferring decisions when directors have concerns about the quality of information.

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The system of control is designed to manage rather than eliminate risks which are inherent in the Company's business and can provide only reasonable and not absolute assurance against material misstatement or loss.

Strategic Report (continued)

The Company's system of internal financial control includes appropriate levels of authorisation, segregation of duties and limits for each aspect of the business. There are established procedures and information systems for regular budgeting and reporting of financial information. Financial reports are presented at every Board meeting detailing the results and other performance data.

There is a well-established internal audit function within the Company that is provided by PwC on an outsourced basis. Its role is primarily to review the effectiveness of controls and procedures established to manage risk. An audit programme is agreed annually in advance with the Audit Committee and the Head of Internal Audit attends each meeting of the Committee to present a summary of audit reports completed during the period and to provide any explanations required by the Committee.

During the year the Audit Committee agreed to outsource our internal audit function to Deloitte from 1 January 2020.

Culture

The company continues to develop its culture and values. We have established a Culture Steering Committee with representatives from the Board, senior management and employees to provide the focus necessary to ensure that this aim is successfully delivered.

This Committee is supported by the Colleague Alliance which comprises members drawn from a cross-section of employees. The Alliance has been formed to provide the link between employees and the Board and to champion the values which it had a key role in developing. During the year, all employees attended the annual Hodge Day event where the values and culture changes were presented to all employees.

Our people

I referred last year to the fact that to facilitate our expansion we had taken extra space in our central Cardiff location. During the year, we completed the fit-out for this new space which has now become the hub for all the change activity being undertaken across Hodge.

This collaborative space has enabled us to bring together employees from different parts of the business to concentrate their activities on delivering the vital change which is imperative for the future success of the organisation.

It is a great example of the Hodge values in action and something we wish to replicate across the rest of the organisation.

As always, Hodge is totally dependent on its people for its success. We now have over 270 employees across the Group, who continue to show their dedication and commitment, but above all their enthusiasm, for the aims of the organisation and the values for which it stands.

In this respect, I would like to express my appreciation, and that of the Board for their continued support, and I have no doubt that, with their help, Hodge will go from strength to strength.

Governance framework

The following is a summary of the framework for corporate governance adopted by the Company.

The Board

The Board has ultimate responsibility for the proper stewardship of the Company in all its undertakings. It meets regularly throughout the year to discharge its responsibilities for all important aspects of the Company's affairs, including monitoring performance, considering major strategic issues, approving budgets and business plans and reviewing operational performance. The Board holds regular discussions with the Company's shareholder to ensure a clear understanding of its views and requirements.

Strategic Report (continued)

The Chairman is responsible for the leadership and operation of the Board, setting the agenda and the tone of Board discussions as well as assessing the effectiveness of the Board and directors.

A board control manual has been adopted which describes the high-level policy and decision-making arrangements within the Company. The manual includes a schedule of matters reserved to the Board together with those items delegated to directors and the Board and executive committees.

Details of the members of the Board are set out below:

Adrian Piper – Chair
Adrian has been a non-executive director since 2010 and was appointed Chair in July 2017.

Before joining the Board, Adrian enjoyed a career of almost 40 years with the Bank of England, latterly as its Agent for Wales. Adrian is also a member of the Audit Committee of Cardiff Metropolitan University.

John Barbour - Non-executive director
John joined the Board in March 2017 and is Chair of the Audit Committee and is also a director of Julian Hodge Bank.

John was previously Managing Director of Treasury at ICBC Standard Bank, the London-based financial markets and commodities bank, owned by China-based ICBC and South African-based Standard Bank. He has spent his entire career in treasury and financial markets-related roles, having previously worked at Investec and Bank of New York.

Alun Bowen - Non-executive director
Alun joined the Board in 2013 and is also a director of Julian Hodge Bank.

Alun enjoyed a long career at KPMG. He became the Managing Partner of KPMG in Kazakhstan in 2008 and before that was the firm’s Senior Partner in Wales, specialising in the banking, insurance and retail financial services sectors. Between 2001 and 2005, he also headed KPMG’s practice advising global companies on sustainability.

Alun is Chair of the Audit Committees of PAO Severstal and Transport for Wales and is a Fellow of the Institute of Chartered Accountants in England & Wales. Alun has also been chair of Business in the Community in Wales, a member of the Council of the Prince’s Trust Cymru and the BT Wales Advisory Board.

Helen Molyneux - Non-executive director
Helen joined the Board in June 2015. She is also a non-executive director of Julian Hodge Bank and Chair of the Remuneration Committee.

Until November 2016, Helen was Chief Executive Officer of NewLaw Legal, a business she established from scratch, which now employs over 400 people. She is now a non-executive director of the EUI board of the Admiral Insurance Group.

In 2011 Helen was named Welsh Woman of the Year and in 2013 the Law Society’s Business Woman of the Year. She was a member of the Silk Commission on Devolution in Wales and currently chairs the Institute of Welsh Affairs. In 2016 she was awarded an honorary doctorate by the University of South Wales in recognition of her services to the legal profession.

Graeme Hughes – Senior Independent Director
Graeme joined the Board in September 2019 as the Senior Independent Director. Graeme is also the Senior Independent Director of Julian Hodge Bank and a non-executive director of Hodge Limited.

Graeme has spent the vast majority of his career with the Nationwide Building Society, most recently becoming the Group Distribution Director and is responsible for all sales and service activities across 720 branches and 10,000 staff. Earlier roles have seen him leading group strategy and planning, as well as human resources and external affairs.

Strategic Report (continued)

David Gulland – Non-executive director
David joined the Board in May 2019 and from July 2019 became Chair of the Hodge Life Risk and Conduct Committee, he is also a non-executive director of Julian Hodge Bank. David brings insurance expertise from working with businesses across the UK financial services sector with a particular focus on the strategic implications of regulatory change.

With early-career experience at Deloitte, David went on to become Chief Executive of the Marine & General Mutual Life Assurance Society, having previously been Chief Risk Officer of MGM Advantage Life Ltd and, before that, Managing Director of RGA Re's UK and Ireland business.

David currently sits on the Independent Governance Committee of Royal London, on the Compliance Committee of the Funeral Planning Authority, and he is Chair of the Audit & Risk Committee at PG Mutual.

Deian Jones – Chief Executive Officer
Deian was appointed to Hodge Life's Board in 2010 and made its Managing Director in 2011. In his time with the Company, he has held a variety of strategic, risk and project roles. He is a chartered accountant, and spent eight years in KPMG's financial services audit practice, specialising in the retail financial services and life assurance sectors.

Steve Pateman- Group Chief Executive Officer
Steve joined the Board in February 2019 on his appointment as Chief Executive Officer of the Group.

Steve was previously Chief Executive Officer of Shawbrook Bank where he delivered strong balance sheet and revenue growth. Before that he led the UK banking businesses of Santander after holding a number of senior management roles at Royal Bank of Scotland.

Steve is also Vice President of the Chartered Banker Institute and a non-executive director of the Bank of Ireland.

David Landen – Chief Financial Officer
David was appointed to the Board in September 2019 and is also the Chief Financial Officer for the Group. David joined Hodge in 2002 and has held a variety of finance and treasury roles during his time with the organisation. An accountancy graduate from Cardiff University, he is a fellow of the Association of Chartered Certified Accountants.

Sam Gunter – Chief Actuary
Sam was appointed to the Board in September 2019. Sam joined the Company in 2012 to lead the creation of the actuarial function and was made Chief Actuary in 2016. He has previously held actuarial roles at PwC and Bupa. He is a fellow of the Institute and Faculty of Actuaries and holds the Chief Actuary (Life) practicing certificate.

Board Committees
The Board has established the following standing committees:

- **Audit Committee:** John Barbour (Chair), Jonathan Hodge, Helen Molyneux, David Gulland, Graeme Hughes and Alun Bowen.

  All members of the Audit Committee are non-executive. Executive members of the Board and other senior executives attend as required by the Chairman.

  The function of the Audit Committee is to review the work of the internal audit function, to consider the adequacy of internal control systems, to review the relationship with the external auditors, to review the statutory accounts including the key estimates and judgements used in the statutory accounts and to consider compliance issues.

  The Committee meets at least four times a year.

Strategic Report (continued)

- **Risk and Conduct Committee:** David Gulland (Chair), Jonathan Hodge, Helen Molyneux, John Barbour, Alun Bowen, Graeme Hughes and Adrian Piper.

  All members of the Risk and Conduct Committee are non-executive. Executive members of the Board and other senior executives attend as required by the Chairman.

  The function of the Risk and Conduct Committee is to oversee the management of risk and the conduct of business on behalf of the Board to ensure that significant risks are identified, understood, assessed and managed and that good customer outcomes are achieved. It is responsible for the second line of defence of the business, ensuring that the level of assurance available to the Board is sufficient and appropriate.

  The Committee meets at least four times a year.

- **Remuneration Committee:** Helen Molyneux (Chair), Jonathan Hodge, Alun Bowen, John Barbour, David Gulland, Graeme Hughes and Adrian Piper.

  All members of the Remuneration Committee are non-executive. Executive members of the Board and other senior executives attend as required by the Chairman.

  The function of the Remuneration Committee is to consider remuneration policy and specifically to determine the remuneration and other terms of service of executive directors and senior managers. The executive directors decide fees payable to non-executive directors. The Committee meets as required.

- **Nomination Committee:** Helen Molyneux (Chair), Jonathan Hodge, Alun Bowen, David Gulland, John Barbour, Graeme Hughes and Adrian Piper.

  All members of the Nomination Committee are non-executive. Executive members of the Board and other senior executives attend as required by the Chairman.

  The function of the Committee is to recommend the appointment of directors to the Board and board committees and to ensure that the Company has an appropriate succession plan for executive and senior management positions. The Committee meets as required.

Board and Committee Membership and Attendance

Name	Board		Audit Committee		Risk and Conduct Committee		Remuneration Committee		Nomination Committee	
	(a)	**(b)**	**(a)**	**(b)**	**(a)**	**(b)**	**(a)**	**(b)**	**(a)**	**(b)**
Adrian Piper	8	8	5	5	5	5	4	4	3	3
John Barbour	8	7	5	5	5	5	4	3	3	2
Jonathan Hodge	8	8	5	5	5	5	4	4	3	3
Helen Molyneux	8	6	5	5	5	5	4	3	3	3
Alun Bowen	8	6	5	4	5	5	4	2	3	2
David Gulland	4	2	2	2	2	2	2	2	2	2
Graeme Hughes	1	1	1	1	1	1	1	1	1	-
Steve Pateman	6	6	-	-	-	-	-	-	-	-
Deian Jones	8	8	-	-	-	-	-	-	-	-
Sam Gunter	1	1	-	-	-	-	-	-	-	-
David Landen	1	1	-	-	-	-	-	-	-	-
David Austin	3	3	-	-	-	-	-	-	-	-

(a) Number of meetings held **(b)** Number of meetings attended

Notes
David Austin resigned from the Board on 7 February 2019
Steve Pateman joined the Board on 7 February 2019
David Gulland joined the Board on 2 May 2019
Graeme Hughes, David Landen and Sam Gunter joined the Board on 19 September 2019
Jonathan Hodge retired from the Board on 31 October 2019

Strategic Report (continued)

Risk management
Further details can be found in the Hodge Limited consolidated financial statements in relation to the Company's risk management. However, in the normal course of its business, the Company is exposed to insurance risk, liquidity risk, credit risk, house price risk, interest rate risk, conduct risk and operational risk. Further disclosures concerning financial risk management objectives and policies are set out in note 25 in the financial statements.

Insurance risk is the risk that policyholders live for a longer period of time than the Company expects through the pricing of its policies or the calculation of its technical provisions. The Company manages its insurance risk through regular monitoring of mortality experience and pricing of annuity products.

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet commitments as they fall due. The Company manages its liquidity risk through its Assets and Liabilities Committee and has adopted a policy to manage the expected future cash flows from assets and liabilities with the aim that this will not lead to future liquidity constraints.

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company manages its credit risk through its Retail Credit Committee and Assets and Liabilities Committee. Regular credit exposure reports are produced which include information on credit and property underwriting, large exposures and asset concentrations.

House price risk is the risk that arises when there is an underperformance of actual house prices compared to the assumptions implicit in the valuation of the Company's lifetime mortgage products, such that the ultimate realisation of the property would not yield the expected return to the Company and could, in certain circumstances, result in a capital loss.

Interest rate risk is the risk that arises when movements in interest rates cause an adverse movement in assets relative to the movement in liabilities. The Company manages its interest rate risk through its Assets and Liabilities Committee. The Company's policy is to match the interest rate sensitivity of assets and liabilities within limits set by the Board.

Conduct risk is the risk that the Company's behaviour results in poor outcomes for customers. The Company is exposed to this risk by virtue of the markets in which it chooses to operate. It monitors this risk through regular reporting to the Executive Risk Committee and Board.

Operational risk is the risk of economic loss from control failures or external events, which result in unexpected or indirect loss to the Company.

The evaluation of the various risks and the setting of policy is carried out through the Company's Enterprise Risk Committee which reports to the Risk and Conduct Committee, which monitors adherence to the Company's risk management policy and framework.

The Assets and Liabilities Committee covers liquidity risk and credit risk for treasury counterparties.

Deian Jones
Director
19 December 2019

Directors' Report

The directors present their report together with the financial statements for the year ended 31 October 2019. Certain disclosures are given in the Strategic Report or the financial statements and are incorporated here by cross-reference. Specifically, these incorporate the following disclosures:

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Risk management policies	Page 9
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Directors and their interests

The directors who held office during the year are listed below:

A. Piper*	Chairman	
J. Hodge *		(retired from the Board on 31 October 2019)
D. Jones	Chief Executive	
S. Pateman	Group Chief Executive	(appointed on the 7 February 2019)
D. Landen	Chief Financial Officer	(appointed on the 19 September 2019)
J. Barbour *		
H. Molyneux*		
A. Bowen*		
S. Gunter	Chief Actuary	(appointed on the 19 September 2019)
G. Hughes*	Senior Independent Director	(appointed on the 19 September 2019)
D. Gulland*		(appointed to the Board on the 2 May 2019)
D. Austin		(resigned from the Board on the 7 February 2019)

* All non-executive directors excluding Jonathan Hodge are deemed to be independent by the Board. Jonathan Hodge is the holder of 45,724 ordinary shares in the UK group parent entity, The Carlyle Trust Limited. None of the other directors held any interests in the shares of any group companies.

During the year, there were no contracts entered into by the Company in which the directors had a material interest.

Political Contributions

The Company made no political contributions during the year.

Post Balance Sheet Events

There were no post Balance Sheet events to disclose.

Qualifying third-party indemnity provisions

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies' Act 2006. Such qualifying party indemnity provisions remain in force as at the date of approving the Directors' Report.

Disclosure of information to the auditor

The directors who held office 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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report (continued)

Going Concern
The Company's forecasts and projections include scenario testing undertaken in accordance with the requirements of the Own Risk and Solvency Assessment (ORSA), which are required by the Prudential Regulation Authority to demonstrate appropriate levels of capital under stressed conditions. The directors consider that the overall level of Pillar 1 Own Funds of £148.5m (165% of Solvency Capital Requirements) are adequate. The Company maintains a liquidity risk policy and risk appetite statement setting requirements for liquid resources to cover both a long and short-term liquidity stress events. The directors consider that the overall level of liquid assets is adequate to cover the liquidity requirements for the next 12 months. Accordingly, the directors confirm that they are satisfied that the Company has adequate resources to continue in business for the foreseeable future.

Directors' Responsibilities Statement
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure framework (FRS 101).

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor
A resolution for the re-appointment of Ernst & Young LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting of The Carlyle Trust Limited.

Deian Jones
Director
19 December 2019

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited

Opinion

We have audited the financial statements of Hodge Life Assurance Company Limited for the year ended 31 October 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and the related notes 1 to 27 (except for the sections of note 26 which are marked as unaudited) including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 October 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Overview of our audit approach

Key audit matters	• The risk that inappropriate actuarial assumptions are used in the valuation of lifetime mortgage, reversionary interest in properties and annuity liability technical provisions
Materiality	• Overall materiality of £2.2m which represents 1.4% of equity.

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The risk that inappropriate actuarial assumptions are used in the valuation of lifetime mortgage, reversionary interest in properties and annuity liability technical provisions (investments (lifetime mortgages): £475.7m, 2018: £415.3m, investment properties - reversionary interest in properties: £72.8m, 2018: £78.8m, Long term business provision: £498.8m, 2018: £437.0m) The valuation of the lifetime mortgages, reversionary interest in properties and annuity liabilities is highly judgemental as it relies upon a number of assumptions with high estimation uncertainty, including those in respect of the No Negative Equity Guarantee (NNEG), voluntary early redemption, discount rate, policyholder mortality/longevity and expenses. Inappropriate assumptions may lead to a material misstatement in the financial statements.	We performed a walkthrough to understand the assumption setting process and tested controls within the process. Utilising our actuarial specialists, we assessed and challenged the assumptions used within the valuation of lifetime mortgages, reversionary interest in properties and the annuity liability valuations to ensure that they are in line with peer companies, internal experience analysis and the requirements of financial reporting and regulatory standards. The key assumptions we focussed our audit work on were as follows: <u>No Negative Equity Guarantee</u> We considered each of the assumptions used within the NNEG calculation, considering a combination of historic and projected future house price growth, the potential variability in house price growth and the allowance made for property dilapidations within the portfolio. <u>Voluntary early redemption</u> We compared the voluntary early redemption assumptions in the valuation with observed experience in the portfolio and with those used by peer companies in the sector.	Overall, we consider the assumptions that are used in the valuation of the lifetime mortgage, reversionary interest in properties and annuity liability technical provisions to be within a reasonable range.

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

The lifetime mortgages are disclosed as investments in note 16 of the financial statements, with the principal assumptions and sensitivity analysis of changes to key assumptions disclosed in note 24(d). The reversionary interest in properties are disclosed as investment property in note 15 of the financial statements, which also includes sensitivity analysis of changes to key assumptions. The annuity liabilities are disclosed as Long term business provisions - liabilities arising from insurance contracts in note 18 of the financial statements, which also includes sensitivity analysis of changes to key assumptions.	Particular attention was paid to the implications for experience in light of the increased competition in the market over the last 3-4 years and the relevance of historic data to future VER assumption setting in light of these changes. <u>Discount rate</u> We tested whether the discount rate used in the valuation of lifetime mortgages, reversionary interest in properties and the long-term business provision was consistent with discount rates used by other companies in the sector, relative liquidity levels and customer rates available in the market. <u>Policyholder mortality/longevity</u> We assessed the mortality assumptions by considering management's experience analysis and comparing the assumption adopted by management for future improvements with those used by other companies in the sector, allowing for particular factors around the profile of the Company's business compared to the industry experience. <u>Expenses</u> We tested current and forecast expense levels to evaluate if the unit costs and inflation assumptions used within the valuation were reasonable. We tested the allocation of expenses between Hodge Life Assurance Company Limited and Julian Hodge Bank Limited.	

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

An overview of the scope of our audit

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality: *The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £2.2m (2018: £2.8m), which is 1.4% (2018: 1.9%) of equity. We believe equity to be the most appropriate basis as the key stakeholders (including the principal shareholder and the PRA) are focused on the financial strength and solvency position of the business, which is represented in the financial statements by equity.

During the course of our audit, we reassessed and confirmed that the final materiality was in line with initial materiality.

Performance materiality: *The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £1.7m (2018: £2.1m). We have set performance materiality at this percentage because our prior year audit experience indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold: *An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2018: £0.1m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit:

- in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management; and
- in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Group's approach to governance, demonstrated by the Board's approval of the Group's governance framework and the Board's review of the Group's risk management framework ('RMF') and internal control processes.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
  For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The Company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

Independent Auditor's Report to the Member of Hodge Life Assurance Company Limited (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Company have established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the actuarial assumptions noted above and testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

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

Other matters we are required to address

- We were appointed by the Company on 22 April 2016 to audit the financial statements for the year ending 31 October 2016 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 October 2016 to 31 October 2019.
- Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP/

Andy Blackmore (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol
20 December 2019

Notes:

1. The maintenance and integrity of the Company's web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement
For the year ended 31 October 2019

	Notes	2019 £m	2018 £m
Earned premiums	5	41.6	47.5
Investment income	6	12.3	10.6
Unrealised gains/(losses) on investments	7	56.6	(0.7)
Total income		**110.5**	**57.4**
Gross claims and benefits paid		(26.9)	(24.5)
Movement in long-term business provision	18	(61.8)	(20.1)
Administrative expenses	8	(7.4)	(6.7)
Profit before taxation	9	**14.4**	**6.1**
Tax on profit	11	(2.7)	(1.2)
Profit for the financial year		**11.7**	**4.9**

All gains and losses have been recognised within the Income Statement.

The notes on pages 22 to 49 form part of these financial statements.

Balance Sheet
As at 31 October 2019

	Notes	2019 £m	2018 £m
Assets			
Loans and advances to credit institutions	12	6.0	16.1
Debt securities	13	77.8	60.9
Treasury bills	14	30.4	18.5
Investment properties	15	72.8	78.8
Investments	16	475.7	415.3
Derivative financial instruments	17	-	0.1
Other assets		0.9	1.1
Total assets		**663.6**	**590.8**

	Notes	2019 £m	2018 £m
Liabilities			
Provisions for long term business - liabilities arising from insurance contracts	18	498.8	437.0
Other liabilities	19	5.2	5.2
Deferred taxation	20	3.6	4.3
Total liabilities		**507.6**	**446.5**
Capital and reserves			
Called-up share capital	21	6.8	6.8
Profit & loss account		149.2	137.5
Total equity		**156.0**	**144.3**
Total equity and liabilities		**663.6**	**590.8**

These financial statements were approved by the Board of directors on 19 December 2019 and were signed on its behalf by:

Deian Jones
Director

Statement of Changes in Equity
For the year ended 31 October 2019

	Called up share capital	Retained earnings	Total
	£m	£m	£m
2019			
At beginning of year	6.8	137.5	144.3
Dividend (note 22)	-	-	-
Profit for the financial year	-	11.7	11.7
At end of year	**6.8**	**149.2**	**156.0**

	Called up share capital	Retained earnings	Total
	£m	£m	£m
2018			
At beginning of year	6.8	148.6	155.4
Dividend (note 22)	-	(16.0)	(16.0)
Profit for the financial year	-	4.9	4.9
At end of year	**6.8**	**137.5**	**144.3**

1 Accounting policies

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The Company is a privately-owned company incorporated and registered in England and Wales.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006, applicable to companies reporting under IFRS (Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008) and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The immediate parent undertaking of the Company is Hodge Limited. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is Hodge Limited. The ultimate parent undertaking and controller is The Carlyle Trust (Jersey) Limited (incorporated in Jersey). Within the meaning of the Companies Act 2006, The Carlyle Trust Limited is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. The accounts of Hodge Limited and The Carlyle Trust Limited can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Reconciliation between carrying amounts of investment properties at the beginning and at the end of the period;
- Disclosures in respect of transactions with members of a group;
- Disclosures in respect of the compensation of Key Management Personnel and related parties.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The classification of transactions and balances included within the financial statements has been reviewed in the current period to enhance the understandability of the financial statements to its users. Where transactions and balances have been presented differently in the current period, the prior period comparative has been updated to ensure consistency with the current period classification.

New standards and interpretations not yet adopted
A number of IASB pronouncements have been issued but are not yet effective for this financial year. The standards considered most relevant to the Company are as follows:

IFRIC 23 - Uncertainty over Income Tax Treatments
IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019 and the impact of adoption is deemed to be immaterial.

IFRS 17 – Insurance Contracts
IFRS 17, 'Insurance Contracts' was issued in May 2017 and is effective for the Company for the annual period commencing 1 November 2022. The standard will be applied retrospectively, subject to the transitional options provided for in the standard and provides a comprehensive approach for accounting for insurance contracts including their valuation, Income Statement presentation and disclosure. The Company has mobilised a project team to assess the financial and operational implications of the standard and work will continue throughout 2020 to ensure technical compliance and to develop the required system capability to implement the standard.

1 Accounting policies (continued)

IFRS 16 – Leases

IFRS 16 'Leases' was issued in January 2016 and introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees and will supersede the current lease guidance including IAS 17 'Leases' and the related interpretations. The expected impact of adoption has been determined to be immaterial as Hodge Life has no significant lease transactions.

Changes in Accounting Policy

Adoption of new and revised standards and interpretations

On 1 January 2018, a number of new and revised standards issued by the International Accounting Standards Board, and endorsed for use in the EU, came into effect. New and revised standards adopted in the period that are deemed significant to the Company are outlined below.

IFRS 9 – Financial Instruments

On 1 November 2018, the Company adopted the requirements of IFRS 9 as issued in July 2014 and the amendments to IFRS 9 'Prepayment Features with Negative Compensation'. The new standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. To reflect the difference between IFRS 9 and IAS 39, consequential amendments were also made to other standards including IFRS 7 'Financial Instruments: Disclosures' and IAS 1 'Presentation of Financial Statements'. The Company adopted these consequential amendments, along with IFRS 9, on 1 November 2018. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and liabilities. The key changes to the Company's accounting policies are as follows:

Classification of financial assets

Under IFRS 9 there are three principal classification categories for financial assets being measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

Transition

The Company has adjusted the opening balance of retained earnings to reflect the application of the new requirements of IFRS 9. In accordance with the transition requirements, comparative information is not restated. As such, the comparative information for the year ended 31 October 2018 is reported under the requirements of IAS 39 and is not comparable to the information presented for the year ended 31 October 2019.

The Company assessed all financial assets and liabilities that fall in scope for IFRS 9 and determined that the approach to classification and measurement was unchanged and there was no impact on the opening position. As such, there is no adjustment to the opening balance of retained earnings or related tax balances.

The accounting policies under IAS 39 can be found within the financial statements for the year ended 31 October 2018.

IFRS 15 Revenue from Contracts with Customers

On 1 November 2018, the Company adopted the requirements of IFRS 15. The new standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Changes in accounting policies

IFRS 15 does not apply to insurance contracts or financial instruments, which fall under the scope of other IFRSs. Of particular note, Premium and Investment income, the main source of revenue for the Company, falls outside the scope of IFRS 15.

The Company assessed its non-interest revenue streams that fall under the scope of IFRS 15 and determined that the impact on the amount or timing of revenue to be recognised as a result of the adoption of IFRS 15 is immaterial. As such, there is no adjustment to the opening balance of retained earnings or related tax balances.

1 Accounting policies (continued)

Summary of Significant Accounting Policies

Measurement convention
The Company prepares its accounts under the historical cost convention, except for certain financial assets and liabilities held at fair value.

Insurance contracts
The Company's insurance products consist entirely of annuity products. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly over time.

Revenue recognition
Premium income
Premiums received in respect of pension annuity insurance contracts are recognised as revenue when they become payable by the policyholder when the policy commences and are shown before deduction of acquisition costs. All premium revenue is in respect of single premium insurance business.

Investment income
Investment income consists of interest receivable for the year on financial assets held at amortised cost based on the effective interest rate method (EIR) and realised gains on financial assets and liabilities held at FVTPL.

Realised gains and losses on financial assets and liabilities held at fair value represent the difference between the proceeds received, net of transaction costs, and the original cost.

Unrealised gains and losses on assets and liabilities at FVTPL
Unrealised gains and losses arising on financial assets and liabilities held at FVTPL represent the difference between the carrying value at the end of the reporting period and the carrying value at the start of the reporting period or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals during the year.

Deferred acquisition costs
As the Company's products are single premium contracts, acquisition expenses are expensed to the Income Statement as incurred.

Financial Instruments

Recognition
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date.

Financial assets

The Company has determined that under IFRS its financial assets are classified as follows:
- FVTPL - investments including lifetime mortgages, treasury bills and debt securities;
- Amortised cost - loans and advances to credit institutions and other assets.

The Company does not hold any financial instruments that are classified and measured at FVOCI.

To classify financial assets the Company performs two assessments to evaluate the business model in which financial assets are managed and their cash flow characteristics.

The 'business model assessment' is performed at a portfolio level and determines whether the Company's objective is to generate cash flows from collecting contractual cash flows, or by both collecting contractual cash flows and selling financial assets.

1 Accounting policies (continued)

The assessment of cash flow characteristics determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI). For the purposes of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin. The SPPI test is performed at an instrument level based on the contractual terms of the instrument at initial recognition.

A financial asset is classified as measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI.

Financial assets not classified as measured at amortised cost or FVOCI are classified as FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be classified and measured at amortised cost or FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The debt securities and treasury bills are held at fair value to reduce an accounting mismatch with the provision for long-term business which is also held at fair value.

Subsequent to initial recognition, financial assets are reclassified only when the Company changes its business model for managing financial assets. Where this is the case, the Company reclassifies all affected financial assets in accordance with the new business model. The reclassification is applied prospectively.

Initial measurement of financial assets is as follows:

- Financial assets at FVTPL: initially measured at fair value
- All other financial assets: initially measured at fair value plus incremental direct transaction costs.

Subsequent measurement of financial asset categories held by the Company is as follows:

- Financial assets at FVTPL: subsequently measured at fair value with gains and losses recognised in the Income Statement.
- Financial assets at amortised cost: subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Under IFRS 9, there are two principal classification categories for financial liabilities: measured at amortised cost and FVTPL.

The Company has determined that under IFRS its financial liabilities are classified as follows:

- FVTPL - derivatives;
- Amortised cost - other liabilities.

Initial measurement of financial liabilities is as follows:

- Financial liabilities at FVTPL: initially measured at fair value
- Amortised cost: initially measured at fair value less incremental direct transaction costs.

Subsequent measurement of financial liability categories held by the Company is as follows:

- Financial liabilities at FVTPL: subsequently measured at fair value with gains and losses recognised in the Income Statement.
- Financial liabilities at amortised cost: subsequently measured at amortised cost using the effective interest rate method.

1 Accounting policies (continued)

Impairment of Financial Assets

Measurement of Expected Credit Loss
Under IFRS 9, impairment of financial assets is calculated using a forward looking Expected Credit Loss (ECL) model. The majority of financial assets held by the Company are held at FVTPL and as a result the ECL provision is insignificant.

De-recognition of financial assets and financial liabilities

(i) Financial assets
Financial assets are de-recognised when:
- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows or has assumed an obligation to pay the received cash flows in full without material delay; and either
- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial assets are written off when there is no realistic prospect of recovery.

(ii) Financial liabilities
Financial liabilities are de-recognised when the obligation is discharged.

Fair value of financial instruments
The Company uses a fair value hierarchy that categorises financial instruments into three different levels as detailed in note 24. Levels are reviewed at each reporting date and this determines whether transfers between levels are required.

Investments
Investments consist of lifetime mortgages and are classified as FVTPL due to the existence of an embedded derivative in the form of a no negative equity guarantee which forms part of the terms and conditions applicable to these products.

On initial recognition, the fair value of these lifetime mortgages is calculated by discounting the future cash flows at swap rates together with an allowance for illiquidity. If the difference between the fair value at transaction date and the transaction price is a gain, it is not recognised but deferred against the lifetime mortgage balance and recognised uniformly over the expected life of the loan into the Income Statement . Any changes to assumptions used in the calculation of this deferred reserve will result in a recalculation which is then spread over the expected total life of the loan from inception. If the difference between the fair value and the transaction price is a loss either upon initial recognition or as a result of a recalculation, it is expensed to the Income Statement.

On subsequent measurement, the value of lifetime mortgages is calculated by projecting the cash flows expected to be generated by the portfolio on redemption, allowing for credit losses caused by the no-negative equity guarantee using a variant of the Black Scholes option pricing method. These cash flows are then discounted at the swap yield plus a margin to reflect the illiquidity of lifetime mortgage assets and offset against the deferred reserve. An allowance for possible early redemption of the lifetime mortgages has been determined by reference to historic rates of lapse within the portfolio.

Embedded derivatives
The "No negative equity guarantee" is an embedded derivative. The Company does not separate the "No negative equity guarantee" embedded derivative from the host instrument. The fair value of lifetime mortgages takes into account an explicit provision in respect of the no-negative equity guarantee which is calculated using a variant of the Black Scholes option pricing model. Further details are disclosed in note 24.

1 Accounting policies (continued)

Investment properties – Reversionary interests in properties
Reversionary interests in properties are included in the financial statements initially at cost and subsequently at fair value, with any change therein recognised in the Income Statement within unrealised gains/(losses) on investments.

The current market value of the underlying property is taken as the last formal valuation of the property on a vacant possession basis, modified by the change in the monthly national Nationwide House Price Index, adjusted down by an annual underperformance assumption.

A further deduction is made from the value to reflect the expected sale expenses and a delay factor between death and sale of the property.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on derecognition are recognised in the Income Statement in the year of disposal within investment income.

Long term business provision - liabilities under insurance contracts
The long-term business provision has been determined by the Board of Directors, on advice from the Chief Actuary. The estimation process used in determining the long-term business provision involves projecting annuity payments and the costs of maintaining the contracts.

Taxation including deferred tax
Corporation tax on profits for the year comprises current and deferred taxation. Where group relief is received or surrendered from or to a group company, the corresponding liability or asset is settled in full.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on a non-discounted basis at the tax rates that are expected to apply when the related asset is realised, or liability settled based on the tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Corporation tax is charged in the Income Statement.

Employee benefits
i) Pensions
Management and administration is provided by the employees of Julian Hodge Bank Limited, a fellow subsidiary of Hodge Limited which recharges the share of those costs, including pension contributions, that relate to the Company.

Details of the Group's pension arrangements are included in the consolidated financial statements of Hodge Limited.

ii) Short-term employment benefits
Staff are employed by Julian Hodge Bank Limited, a fellow subsidiary of Hodge Limited, and a proportion of these costs has been recharged to the Company, to reflect the work done for the Company, and is included in administrative expenses.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

2 IFRS 9 Adoption

The impacts of adopting IFRS 9 on 1 November 2018 and transition disclosures are provided in the following sections.

Classification and measurement
Financial assets
Classification of financial assets under IFRS 9 is dependent on the outcome of two assessments which evaluates the business model in which financial assets are managed (the 'business model assessment') and their cash flow characteristics (the 'SPPI test').

The following table demonstrates the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets.

Financial asset	2018 £m	IAS 39 Classification	Business model	Cash flows meet SPPI test?	IFRS 9 Classification
Loans and advances to credit institutions	16.1	Amortised Cost	Held to collect contractual cash flows	✓	Amortised Cost
Debt securities (1)	60.9	FVTPL	Recognised at FV to prevent accounting mismatch	N/A	FVTPL (1)
Treasury bills (1)	18.5	FVTPL	Recognised at FV to prevent accounting mismatch	N/A	FVTPL (1)
Investments (2)	415.3	FVTPL	Recognised at FV due to NNEG	N/A	FVTPL (2)
Derivative financial instruments (3)	0.1	FVTPL	N/A	N/A	FVTPL (3)
Other assets	1.1	Amortised Cost	Held to collect contractual cash flows	✓	Amortised Cost

1 – These items are held at FVTPL to avoid an accounting mismatch as the provision for long-term liabilities is also held at FVTPL.

2 – The investments are designated at FVTPL due to the existence of an embedded derivative – the "no-negative equity guarantee" – which causes these assets to fail the SPPI assessment.

3 - Under IFRS 9, derivative financial instruments are classified as mandatorily at FVTPL as they fail the SPPI test. This is unchanged from the classification under IAS 39.

Impairment of financial assets
An assessment was made on the implementation date and at 31 October 2019 on the loans and advances to credit institutions ECL provision and it was determined to be £nil.

Financial liabilities
There were no changes in the classification and measurement of financial liabilities. The Company continues to classify all financial liabilities as measured at amortised cost, with the exception of derivatives which are mandatorily at FVTPL.

Transition adjustments
There are no adjustments on transition to IFRS 9 for the Company.

3 Judgement in applying accounting policies and critical accounting estimates

The Company has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. In addition, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the following financial year. The most significant areas where judgement and estimates are made are as follows:

Judgements

Fair value of financial instruments

The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate swaps that use only observable market data and require little management judgement. Further information on these assumptions is given in note 24.

Availability of observable market prices and model inputs reduces the need for management judgement and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Estimates and assumptions

Measurement of insurance liabilities arising from annuity insurance contracts

The estimation of the ultimate liability arising from insurance contracts is the Company's most critical accounting estimate.

For insurance contracts, the liabilities are calculated using a projection of cash flows after making assumptions about matters such as mortality and expenses. Discount rates used to value the liabilities are set with reference to the risk adjusted yields on the underlying assets. The most critical non-economic assumptions are mortality rates in respect of annuity business written and levels of future expenses. Such assumptions are based on recent actual experience, supplemented by industry information where appropriate.

At each reporting date, the estimates and assumptions referred to above are reassessed for adequacy and changes will be reflected in adjustments to the liability, through the Income Statement. Further information on these assumptions is given in note 18.

***Value of lifetime mortgages* including the value of the no-negative equity guarantee**

Estimation uncertainty surrounds the measurement of the fair value of lifetime mortgages and the liability arising from the no-negative equity guarantee. The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality and the rate of voluntary redemptions. Further information on these assumptions is given in note 24.

Value of investment properties

All gains and losses arising from reversionary interests in property are largely dependent on property prices and longevity of the tenant. The key assumptions used are disclosed in note 15.

Change in accounting estimates

There is significant judgement in the methodologies and assumptions applied in estimating the fair value of both lifetime mortgages and the provision for long-term business. The methodologies and assumptions contain unobservable inputs resulting in the fair value being classified as a Level 3 estimate within the IFRS 13 fair value hierarchy. Changes have been made to the methodology used to calculate the expense assumption as a result of a project to rationalise expenses across the Group. The impact of these changes is disclosed within notes 18 and 24 respectively and have been accounted for prospectively as a change in accounting estimate.

4 Segmental information

The Board of Directors is the Company's chief operating decision-maker. The information reviewed by the Board of Directors is for the entire company. As such, no segmental analysis is required.

5 Earned premiums

Earned premiums relate to direct insurance contracts, which are individual, single premiums from annuity business. All premiums are derived from contracts undertaken in the United Kingdom. Commissions payable in respect of direct insurance amounted to £0.7m (2018: £0.6m).

	2019	2018
	£m	£m
Earned premiums	41.6	47.5
	41.6	**47.5**

6 Investment income

		2019	2018
		£m	£m
Other investments:	Fee income on investments	1.2	0.7
	Deposit interest	0.1	0.1
Gains on realisation of investment properties		9.7	9.0
Interest income on treasury bills & debt securities		1.3	0.8
		12.3	**10.6**

7 Unrealised (losses)/gains on investments

	2019	2018
	£m	£m
Unrealised gains on investments (note 16)	58.7	5.8
Reversal of unrealised gains on disposal of investment properties	(9.0)	(8.6)
Movement in fair value of investment properties (note 15)	5.3	2.3
Movement in fair value of debt securities and treasury bills (notes 13 & 14)	2.0	(0.4)
Movement in fair value of derivative financial instruments (note 17)	(0.4)	0.2
	56.6	**(0.7)**

8 Administrative expenses

	2019	2018
	£m	£m
Management and administration expenses	6.6	5.9
Acquisition costs	0.8	0.8
	7.4	**6.7**

9 Profit before taxation

	2019	2018
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Remuneration of the auditor and its associates:		
Audit of these financial statements	81	46
Other assurance fees	-	22
Non audit fees	85	95

10 Directors and employees

The average number of Group employees (including directors) providing services to the Company during the year was as follows:

	2019	2018
	No	No
Provision of life assurance services	41	32
	41	**32**

The wages and salaries, social security and pension costs are expensed within the Income Statement of a fellow group subsidiary before being recharged to the Company. Details as to the expense incurred on a group basis is disclosed within the financial statements of the immediate parent, Hodge Limited.

Staff costs include remuneration in respect of directors as follows:

	2019	2018
	£m	£m
Fees	0.1	0.1
Aggregate emoluments as executives	0.2	0.2
	0.3	**0.3**

The emoluments of the highest paid director, excluding pension contributions, were as follows:

	2019	2018
	£'000	£'000
Aggregate emoluments	119	102
	119	**102**

The highest paid director is an active member of a defined benefit scheme under which his accrued pension at the year-end was £4,000 *(2018: £5,000).* Retirement benefits are accruing to 3 *(2018: 1)* director in a defined benefit scheme.

11 Tax on profit

Analysis of charge	2019		2018	
	£m	£m	£m	£m
Analysis of charge in year				
Current tax on income for the year	3.4		2.0	
Total current tax		3.4		2.0
Deferred tax (note 20)				
Origination/reversal of timing differences	(0.7)		(0.8)	
Total deferred tax		(0.7)		(0.8)
Tax on profit on ordinary activities		**2.7**		**1.2**

The total tax charge for the year is same as (*2018: the same as)* the blended rate of corporation tax in the UK.

	2019	2018
	£m	£m
Total tax reconciliation		
Profit on ordinary activities before tax	14.4	6.1
Current tax at 19.00% (2018: 19.00%)	**2.7**	**1.2**
Total tax charge (see above)	**2.7**	**1.2**

Reductions in the UK corporation tax rate to 17% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

The deferred tax liability as at 31 October 2019 has been calculated based on these rates.

12 Loans and advances to credit institutions

	2019	2018
	£m	£m
Repayable on demand	1.1	14.6
Amounts owed by group undertakings (note 27)	4.8	0.5
Collateral held by swap counterparties	0.1	1.0
	6.0	**16.1**

The amounts owed by group undertakings are repayable on demand and accrue no interest.

13 Debt securities

	2019	2018
	£m	£m
Debt securities – FVTPL	77.8	60.9
	77.8	**60.9**

The movement in debt securities is summarised as follows:

	2019	2018
	£m	£m
At 1 November	60.9	54.2
Additions	23.5	24.7
Redemptions and interest received	(8.6)	(17.6)
Gain/(loss) from changes in fair value – Income Statement	2.0	(0.4)
At 31 October	**77.8**	**60.9**

14 Treasury bills

	2019	2018
	£m	£m
Treasury bills – FVTPL	30.4	18.5
	30.4	**18.5**

The movement in treasury bills is summarised as follows:

	2019	2018
	£m	£m
At 1 November	18.5	10.0
Additions	87.0	39.4
Redemptions	(75.1)	(30.9)
Gain/(loss) from changes in fair value – Income Statement	-	-
At 31 October	**30.4**	**18.5**

15 Investment properties

	Reversionary Interest
	£m
At 1 November	78.8
Disposals	(11.5)
Fair value adjustments	5.3
At 31 October	**72.8**

All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique. The historical cost of the reversionary interest in properties is £31.8m at 31 October 2019 (2018: £34.4m).

Reversionary interests in property - principal assumptions

The principal assumptions underlying the calculation of reversionary interests in property include the following:

Property prices

The value of a property is based on the value at the last inspection and adjusted to the current valuation date using the Nationwide House Price Index. It is then adjusted down by an annual underperformance assumption and a deduction for sales costs.

Mortality or entry into long term care

This is based on the expected death or entry into long term care of the tenant or the last remaining tenant in relation to a joint contract. Mortality assumptions have been derived by reference to the PCMA/PCFA00 mortality tables and include an allowance for future mortality improvements.

Expenses

Assumptions for future policy expense levels are based on the Company's recent expense analyses. Expenses are modelled as an amount per policy per annum that incorporate an annual inflation rate allowance of 4.01% (2018: 4.23%).

Discount rate

The discount rate applied to the reversion cash flows comprises two parts: a risk-free yield curve and an allowance for illiquidity. The risk-free yield curve is the GBP curve published by EIOPA.

The average discount rate for the portfolio (assumed to be the 15-year point on the yield curve based on the average duration of our business) at 31 October 2019 was 1.78% (31 October 2018: 2.6%).

Sensitivity analysis

Changes to unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The Company has estimated the net decrease in profit before tax for the period to changes to these inputs as follows.

	Delay in Mortality or entry into long term care by 10%	Expenses + 10%	Property prices - 10%
	£m	£m	£m
At 31 October 2019	**(0.5)**	**(0.1)**	**(6.5)**
At 31 October 2018	(0.8)	(0.1)	(6.8)

16 Investments

	Market Value		Loan Value	
	2019	2018	2019	2018
	£m	£m	£m	£m
Loans and advances (lifetime mortgages) – classified as FVTPL	475.7	415.3	351.8	339.7
	475.7	**415.3**	**351.8**	**339.7**

Reconciliation of the opening and closing balance of lifetime mortgages:

	2019	2018
	£m	£m
At start of period	415.3	397.8
Total gains in the Income Statement arising on fair value movements	58.7	5.8
Loans advanced	25.5	32.2
Loans purchased	10.3	5.5
Loan disposal	(4.6)	-
Redemptions	(29.5)	(26.0)
At end of period	**475.7**	**415.3**

During the year, the Company acquired a portfolio of lifetime mortgages from a fellow subsidiary of the Group, Julian Hodge Bank Limited at its fair value of £10.3 million. Hodge Life also disposed of a portfolio of lifetime mortgages to an unrelated third party for £4.6m, a £0.1m gain was realised on this transaction.

The £58.7m increase in fair value is predominantly driven by the fall in benchmark interest rates over the year. The 15-year point on the EIOPA yield curve used for discounting the future mortgage cash flows has fallen by 84bps from 1.62% to 0.78%. This is partially offset by smaller relative reductions in past and assumed future HPI.

17 Derivative financial instruments

Interest rate swaps are used by the Company for hedging purposes. These are commitments to exchange one set of cash flows, fixed or floating for another. No exchange of principal takes place.

	Contract/notional amount		Fair value	
	2019	2018	2019	2018
	£m	£m	£m	£m
Derivative assets				
Interest rate swaps	2.5	20.0	-	0.1
Total recognised derivative assets	**2.5**	**20.0**	**-**	**0.1**

The following table describes the types of derivatives used, the related risks and the activities the derivative financial instruments are used to hedge.

Type of Hedge	Risk	Activity
Interest rate swap	Sensitivity to changes in interest rates	Capital management

17 Derivative financial instruments (continued)

At 31 October 2019, there was only one instrument with a fixed interest rate at 0.4% (2018: varied from 0.9% to 1.7%) and the main floating rates are SONIA. Fair value gains and losses recognised on interest rate swap contracts are credited to the Income Statement.

	2019	2018
	£m	£m
Movement in fair value of interest rate swaps	(0.1)	0.2
Breakage costs	(0.3)	-
Net gains to 31 October	**(0.4)**	**0.2**

The Company agreed to exit a number of interest rate swaps during the year which were held at fair value of £0.8m (2018: £nil). £0.3m breakage costs were incurred on disposal.

18 Provision for long term business - liabilities arising from insurance contracts

	2019	2018
	£m	£m
At 1 November	437.0	416.9
Gross claims and benefits paid	(26.9)	(24.5)
Impact of new insurance contracts	42.4	48.8
Fair value movement on existing liabilities		
Expense cash flows and discount unwind	9.4	7.9
Mortality experience	(1.2)	(1.1)
Interest rate gain	47.0	(5.4)
Movement in illiquidity premium	6.4	(0.4)
Change in expense inflation	(1.3)	0.3
Impact of methodology and assumption changes		
Expense policy assumption change	(7.6)	-
CMI mortality assumption change	(6.4)	(5.5)
At 31 October	**498.8**	**437.0**

The long-term business provision for insurance contracts has been calculated using estimation techniques for each contract, by use of a prospective calculation on the basis set out below.

18 Provision for long term business - liabilities arising from insurance contracts (continued)

a) Rates of interest

Principal assumptions:
The interest rates used to discount liabilities comprise three parts: a risk-free yield curve, an allowance for illiquidity based on the yield on the assets backing the liabilities less an appropriate deduction for risk. The risk-free yield curve is the GBP curve published by EIOPA.

The average discount rate for each product (assumed to be the 15-year point on the yield curve based on the average duration of the portfolio) at 31 October 2019 and 2018 is as follows:

Rates of interest	2019	2018
	%	%
Pension business annuities	2.2	3.2
Reversionary scheme	1.6	2.5
Purchased life annuities	1.6	2.5
Mortgage scheme annuities	1.0	1.8

b) Mortality tables
The mortality table used to calculate the technical provisions for annuity liabilities is the PCMA/PCFA00 table. This table is adjusted from 2000 by calendar year for mortality improvements based on the CMI 2018 mortality projection model. The mortality tables are further adjusted to reflect recent mortality experience by multiplying the mortality rates by a percentage factor which varies by the duration in force of the contract.

c) Provision for expenses
An explicit provision for expenses based on an amount per policy per annum has been determined from recent experience analysis. This provision increases with an annual inflation rate of 4.01% (2018: 4.23%). At 31 October 2018, a £1.3m provision for expense overruns was held in addition to the basic provision for per-policy expenses. This has been released during the current year as these costs are now covered within the basic provision.

d) Sensitivity analysis
Changes to inputs used in the valuation could give rise to significant changes in the value of the provisions. The Company has estimated net increase/(decrease) in profit before tax for the period to changes to these inputs as follows.

	Delay in Mortality 10%	Expenses + 10%	Interest rates +100bps
	£m	£m	£m
At 31 October 2019	**(14.4)**	**(2.9)**	**54.3**
At 31 October 2018	(11.3)	(3.0)	45.6

The interest rate sensitivity of insurance contracts should be considered in conjunction with the offsetting interest rate sensitivity of financial instruments as set out in note 24(d).

19 Other liabilities

	2019	2018
	£m	£m
Corporation tax	2.1	-
Amounts owed to group undertakings	-	1.0
Group relief	1.9	-
Other taxation and social security	0.2	0.2
Other creditors	0.5	0.6
Amount owed in relation to insurance contracts	0.5	3.4
	5.2	**5.2**

20 Deferred tax liabilities

	2019	2018
	£m	£m
At 1 November	4.3	5.1
Credited to the Income Statement	(0.7)	(0.8)
At 31 October	**3.6**	**4.3**

Deferred tax liabilities are attributable to the following items:

	2019	2018
	£m	£m
Transitional adjustment under new life insurance corporate tax regime	0.5	0.7
Transitional adjustment to FRS 101	3.1	3.6
At 31 October	**3.6**	**4.3**

21 Called up share capital

	2019	2018
	£m	£m
Authorised, allotted, called-up and fully paid:		
27,200,000 *(2018: 27,200,000)* ordinary shares of £0.25 each	6.8	6.8
	6.8	**6.8**

22 Dividends

	2019	2018
	£m	£m
Aggregate amount of dividends declared and paid in the financial year	-	16.0

23 Financial Commitments

The Company had contracted capital commitments amounting to £nil at 31 October 2019 (2018: £nil). The Company had loan commitments amounting to £2.2m at 31 October 2019 (2018: £2.2m).

24 Financial instruments

a) Categories of financial assets and liabilities

Financial assets and liabilities are measured either at FVTPL or at amortised cost.

The following tables analyse the financial assets and liabilities in the Balance Sheet by the class of financial instrument to which they are assigned and by the measurement basis and include both non-financial assets and liabilities in order to reconcile disclosures to Balance Sheet totals.

As at 31 October 2019	At amortised cost	FVTPL	Total
	£m	£m	£m
Assets			
Loans and advances to credit institutions	6.0	-	6.0
Debt securities	-	77.8	77.8
Treasury bills	-	30.4	30.4
Investments	-	475.7	475.7
Other assets	0.9	-	0.9
Total financial assets	**6.9**	**583.9**	**590.8**
Total non-financial assets			72.8
Total assets			**663.6**
Liabilities			
Other liabilities	5.2	-	5.2
Total financial liabilities	**5.2**	**-**	**5.2**
Total non-financial liabilities			502.4
Share capital and other reserves			156.0
Total equity and liabilities			**663.6**

As at 31 October 2018	At amortised cost	FVTPL	Total
	£m	£m	£m
Assets			
Loans and advances to credit institutions	16.1	-	16.1
Debt securities	-	60.9	60.9
Treasury bills	-	18.5	18.5
Investments	-	415.3	415.3
Derivative financial instruments	-	0.1	0.1
Other assets	1.1	-	1.1
Total financial assets	**17.2**	**494.8**	**512.0**
Total non-financial assets			78.8
Total assets			**590.8**
Liabilities			
Other liabilities	5.2	-	5.2
Total financial liabilities	**5.2**	**-**	**5.2**
Total non-financial liabilities			441.3
Share capital and other reserves			144.3
Total equity and liabilities			**590.8**

24 Financial instruments (continued)

b) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

The table below summarises the fair value hierarchy of the Company's financial assets and liabilities. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which all significant inputs are based on observable market.
- Level 3: Valuation techniques for which significant inputs are not based on observable market.

Where applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an on-going basis. For all other financial instruments, the Company determines fair value using other valuation techniques.

The fair value of financial assets and liabilities carried at amortised cost approximates to their carrying value on the Balance Sheet.

The following table presents the Company's financial assets and liabilities that are measured at fair value on the face of the Company's Balance Sheet and the disaggregation by fair value hierarchy and product type:

As at 31 October 2019	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at FVTPL				
Debt securities	77.8	-	-	77.8
Treasury bills	30.4	-	-	30.4
Investments	-	-	475.7	475.7
Derivative financial instruments	-	-	-	-
Total financial assets at FVTPL	**108.2**	**-**	**475.7**	**583.9**
Financial liabilities at FVTPL				
Derivative financial instruments	-	-	-	-
Total financial liabilities at FVTPL	**-**	**-**	**-**	**-**

As at 31 October 2018	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets at FVTPL				
Debt securities	60.9	-	-	60.9
Treasury bills	18.5	-	-	18.5
Investments	-	-	415.3	415.3
Derivative financial instruments	-	0.1	-	0.1
Total financial assets at FVTPL	**79.4**	**0.1**	**415.3**	**494.8**
Financial liabilities at FVTPL				
Derivative financial instruments	-	-	-	-
Total financial liabilities at FVTPL	**-**	**-**	**-**	**-**

24 **Financial instruments** (continued)

c) Level 1 & 2 assets and liabilities measured at fair value

Treasury bills and debt securities:
The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance Sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Instruments included in Level 1 comprise primarily UK Government investment securities (treasury bills) and debt securities classified as FVTPL.

Derivative financial instruments:
The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Interest rate swaps are classified as derivative products using a valuation technique with observable market inputs. Their fair value is based on counterparty valuations. Those valuations are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Transfers
There were no transfers between levels 1 and 2 during the year.

d) Level 3 assets and liabilities measured at fair value

Investments (lifetime mortgages):
Investments comprise lifetime mortgages assets of £475.7m (2018: £415.3m) which have been classed as FVTPL.

On initial recognition, the fair value of lifetime mortgages is calculated by discounting the future cash flows at swap rates together with an allowance for illiquidity. If the difference between the fair value at transaction date and the transaction price is a gain, it is not recognised but deferred and recognised uniformly over the expected life of the loan. If the difference is a loss, this is expensed to the Income Statement immediately.

The movement in the aggregate difference yet to be recognised in the Income Statement between the fair value of mortgages and the amount that would have been recognised using the valuation technique is shown below.

	2019	2018
	£m	£m
At start of period	61.3	60.0
Amounts deferred in the period	8.7	10.0
Amounts recognised in the Income Statement in the period	(9.8)	(8.7)
At end of period	**60.2**	**61.3**

The interest rate sensitivity of financial instruments should be considered in conjunction with the offsetting interest rate sensitivity of insurance contracts as set out in note 18(d).
There were no transfers in and out of Level 3 of the fair value hierarchy in 2019.

24 Financial instruments (continued)

d) Level 3 assets and liabilities measured at fair value (continued)

Lifetime mortgages - principal assumptions
Principal assumptions underlying the calculation of lifetime mortgages include the following:

Mortality or entry into long term care
This is based on the expected death or entry into long term care of the customer or the last remaining customer for a joint contract. Mortality assumptions have been derived by reference to PCMA00/PCFA00. This table is adjusted from 2000 by calendar year for mortality improvements based on the CMI 2018 mortality projection model.

Lapses
Due to limited market information, these assumptions have been derived from the Company's own experience on this product.

Expenses
Assumptions for future policy expense levels are based on the Company's recent experience analyses. Expenses are modelled as an amount per policy per annum that incorporate an annual inflation rate allowance of 4.01% (2018: 4.23%). From 1st November 2019, in addition to per policy expenses, a fee paid on mortgage advances for administration is modelled which is not subject to inflation. This is due to the servicing agreement between Hodge Life and a fellow group subsidiary – Julian Hodge Bank Limited.

Discount rate
The discount rate applied to the mortgage cash flows comprises two parts: a risk-free yield curve and an allowance for illiquidity which is reviewed annually. The risk-free yield curve is based on GBP curve published by EIOPA.

The average discount rate for the portfolio (assumed to be the 15-year point on the yield curve based on average duration) at 31 October 2019 was 1.8% (31 October 2018: 2.6%).

No-negative equity guarantee:
The fair value of lifetime mortgages takes into account an explicit provision in respect of the no-negative equity guarantee which is calculated using a variant of the Black Scholes option pricing model. The key assumptions used to derive the value of the no-negative equity guarantee include property growth and volatility. The current property price is based on the last survey valuation adjusted by Nationwide House Price Index and an annual underperformance assumption. The future property price is based on Bank of England implied future inflation adjusted for earnings growth and an annual property price underperformance assumption.

The property growth and volatility assumed at 31 October 2019 was 3.08% (31 October 2018: 3.28%) and 13% (31 October 2018: 13%) respectively. The value of the no negative equity guarantee as at 31 October 2019 was £14.0m (31 October 2018: £11.2m).

24 Financial instruments (continued)

Sensitivity analysis
Changes to unobservable inputs used in the valuation technique could give rise to significant changes in the fair value of the assets. The Company has estimated the net decrease on profit before tax for the period in changes to these inputs as follows.

	Interest rates +100 BPS	Maintenance expenses + 10%	Property inflation -100bps	Property prices -10%	Mass Lapses + 10%	Increase in Mortality 10%
	£m	£m	£m	£m	£m	£m
At 31 October 2019	**(60.0)**	**(0.4)**	**(7.9)**	**(4.2)**	**(11.6)**	**(5.0)**
At 31 October 2018	(53.5)	(0.8)	(6.6)	(3.4)	(7.6)	(4.3)

The sensitivity factors are applied via actuarial models. The analysis represents a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be interpolated or extrapolated from these results.

The interest rate sensitivity of financial instruments should be considered in conjunction with the offsetting interest rate sensitivity of insurance contracts as set out in note 18(d).

e) Maturity profile of financial assets and liabilities

The table below analyses the carrying value of financial assets and liabilities into relevant maturity groupings based on the expected average period to the contractual maturity date. In practice, customer assets may be repaid ahead of their contractual maturity. As such, the Company uses past performance of each asset and liability class along with management judgement to forecast likely cash flow requirements.

As at 31 October 2019	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Loans & advances to credit institutions	6.0	-	-	-	-	6.0
Debt securities	2.5	2.5	6.0	30.1	36.7	77.8
Treasury bills	12.0	-	-	10.5	7.9	30.4
Investments	11.4	4.6	9.4	80.3	370.0	475.7
Other assets	0.9	-	-	-	-	0.9
Total financial assets	**32.8**	**7.1**	**15.4**	**120.9**	**414.6**	**590.8**
Liabilities						
Other liabilities	5.2	-	-	-	-	5.2
Total financial liabilities	**5.2**	**-**	**-**	**-**	**-**	**5.2**

24 Financial instruments (continued)

e) Maturity profile of financial assets and liabilities *(continued)*

As at 31 October 2018	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Total
	£m	£m	£m	£m	£m	£m
Assets						
Loans & advances to credit institutions	16.1	-	-	-	-	16.1
Debt securities	5.4	1.7	3.5	30.9	19.4	60.9
Treasury bills	13.5	5.0	-	-	-	18.5
Investments	8.1	4.1	8.4	70.4	324.3	415.3
Derivative financial instruments	-	-	-	-	0.1	0.1
Other assets	1.1	-	-	-	-	1.1
Total financial assets	**44.2**	**10.8**	**11.9**	**101.3**	**343.8**	**512.0**
Liabilities						
Other liabilities	5.2	-	-	-	-	5.2
Total financial liabilities	**5.2**	**-**	**-**	**-**	**-**	**5.2**

f) Foreign currencies

The Company holds no financial assets or liabilities denominated in foreign currencies.

25 Financial risk management objectives and policies

Risk management

The risk management approach encompasses the requirements for identifying, assessing, managing, monitoring and reporting on risk.

The evaluation of the various risks and the setting of policy is carried out through the Company's Enterprise Risk Committee which reports to the Risk and Conduct Committee, which ensures adherence to the Company's risk management policy and framework.

Risk management objectives

Risk is inherent in all aspects of the Company's business. Within the Company, a risk management framework is in place to ensure that all material risks faced by the Company have been identified and measured, and that appropriate controls are in place to ensure that each risk is mitigated to an acceptable degree.

In the normal course of its business, the Company is exposed to insurance risk, credit risk, liquidity risk, house price risk, interest rate risk, conduct risk and operational risk. These are discussed in more detail in sections a) to g) below.

a) Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefits payments exceed the amounts expected at the time of determining the insurance liabilities.

The Company principally writes the annuity insurance contracts where typically the policyholder is entitled to payments which cease upon death.

25 Financial risk management objectives and policies (continued)

For annuity contracts, the most significant factor is continued improvement in medical science and social conditions that would increase the length of time of annuity payments.

The risk exposure is mitigated by a diversification across a large portfolio of insurance contracts and geographical areas. The Company does not currently use re-insurance contracts to mitigate insurance risk.

b) Credit risk
This is the risk that borrowers or other counterparties will be unable or unwilling to meet commitments that they have entered into with the Company.

The maximum credit risk is the carrying value disclosed on the Balance Sheet.

The primary driver of credit risk within the treasury assets portfolio, which comprises deposits with other banks, gilts and debt securities is the default of the counterparty, meaning it can no longer repay its obligations. Only independently rated parties with a minimum rating of BBB- are accepted.

The Company manages its credit risk through the Group's Retail Credit Committee and Assets and Liabilities Committee. Regular credit exposure reports are produced which include information on credit and property underwriting, large exposures, asset concentrations, industry exposure and levels of bad debt provisioning.

Treasury credit risk
Treasury risk comprises exposure to gilts, treasury bills, debt securities, loans to credit institutions and financial derivatives. The following table shows the maximum exposure to credit risk excluding collateral:

	2019	2018
	£m	£m
Loans and advances to credit institutions	6.0	16.1
Debt securities	77.8	60.9
Treasury bills	30.4	18.5
	114.2	**95.5**

None of these exposures is past due or impaired.

Credit quality of financial assets that are neither past due or impaired
The following shows the exposures broken down by rating:

	2019	2018
	£m	£m
AAA to AA-	77.4	70.7
A+ to A-	19.3	15.2
BBB+ to BBB-	12.7	9.2
Unrated	4.8	0.4
	114.2	**95.5**

25 Financial risk management objectives and policies (continued)

Concentration of credit risk

The geographical exposure is as follows:

	2019	2018
	£m	£m
UK	80.9	76.4
Other	33.3	19.1
	114.2	**95.5**

The treasury risk function monitors exposure concentrations against a variety of criteria including counterparty limits.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet its commitments as they fall due. The Company has a significant exposure to liquidity risk, via holding a material portfolio of investment properties (reversions) and lifetime mortgages.

The Company manages its liquidity risk through its Assets and Liabilities Committee and monitors its liquidity position on a daily basis. It has adopted a policy to ensure that it has adequate resources to enable it to conduct its normal business activities without interruption. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flows.

The maturity analysis of financial assets and liabilities is disclosed in note 24(e) to the financial statements. For insurance contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Insurance contract liabilities	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Total
	£m	£m	£m	£m	£m	£m
As at 31 October 2019	7.0	7.0	13.8	102.7	368.3	498.8
As at 31 October 2018	6.8	6.7	13.3	96.4	313.8	437.0

d) Operational risk

Operational risk is the risk of economic loss from systemic failure, human error and fraud (control failures) or external events, which result in unexpected or indirect loss to the Company. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

e) House price risk

House price risk is the risk that arises when there is an adverse movement between actual house prices and those implicit in the costing of the Company's lifetime mortgage products or the payment for the reversionary interest, such that the ultimate realisation of the property would not yield the expected return to the Company and could, in certain circumstances, result in a capital loss.

25 Financial risk management objectives and policies (continued)

The defining issue over the economy for the next year will be Brexit. Against this backdrop we are taking a cautious approach to new business until we have greater clarity on the Brexit outcome.

House price risk is managed by ensuring that advances reflect the age of the customer and do not exceed 45% of property market values so as to insulate against market adjustments in property prices generally.

Geographical analysis of lifetime mortgages
The Company provides loans secured on property across England, Scotland, Northern Ireland and Wales. An analysis of residential property by geographical location is provided below:

Loans secured by mortgage – Loan Value	2019		2018	
	£m	%	£m	%
Wales	9.8	2.8	10.1	3.0
South East	106.9	30.4	103.7	30.5
South West	40.4	11.5	42.4	12.5
London	53.8	15.3	48.9	14.4
East Anglia	41.7	11.9	38.1	11.2
North West	22.9	6.5	22.9	6.7
West Midlands	19.6	5.6	18.2	5.4
North East	10.6	3.0	10.2	3.0
Yorkshire & Humberside	10.0	2.8	9.8	2.9
East Midlands	10.6	3.0	10.1	3.0
Scotland	16.5	4.7	16.4	4.8
Northern Ireland & Other	9.0	2.6	8.9	2.6
Total	**351.8**	**100.0**	**339.7**	**100.0**

The average loan to value (LTV) in respect of lifetime mortgage loans is estimated to be 23.6% (2018: 22.4%). LTV analysis has been undertaken by using a combination of external valuations and internal and external desktop reviews which consider the type and quality of security and geographical location.

The largest exposure to one counterparty is £3.1m (2018: £3.2m) or 0.9% (2018: 0.9%) of gross balances.

f) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of financial instruments and insurance contracts will fluctuate because of changes in market interest rates.

Interest rate risk is created if the Company's assets and liabilities change in value by different amounts following a change in market interest rates.

The Company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate matching of assets and liabilities in terms of cash flow and change in fair value.

The sensitivity analysis relating to interest rate risk is disclosed in notes 18(d) and 24(d).

g) Conduct risk
Conduct risk is the risk that the Company's behaviour results in poor outcomes for customers. The Company is exposed to this risk by virtue of the markets in which it chooses to operate. The Operational & Conduct Risk Committee has overall responsibility for implementing and monitoring principles, frameworks, policies and limits. The Committee is responsible for managing risk decisions and monitoring risk levels which it reports to the Risk and Conduct Committee.

The Company holds no provision in respect of conduct risk as at 31 October 2019 (2018: £nil).

26 Capital risk management

The Company is required to maintain a minimum margin of Solvency Capital in excess of the value of its liabilities to comply with regulatory requirements.

The amount of regulatory and economic capital required also depends on the level of risk facing the insurance business, and as such correlates to economic market cycles. The Company must assess its capital resources on both a Pillar 1 (regulatory capital) and a Pillar 2 (own risk and solvency assessment) basis. The Pillar 1 capital requirement is calculated by applying the Solvency II standard formula for Solvency Capital requirements whereas the Pillar 2 capital requirement is determined following an internal capital assessment by the Company.

All minimum regulatory requirements were met during the year.

The Company's objectives when managing capital are:

- To have sufficient capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- To comply with the insurance capital requirements set out by the regulators of the insurance markets in which the Company operates (the PRA in the UK);
- To provide an adequate return to the shareholder by pricing insurance contracts according to the level of risk associated with the business written.

The Company's capital comprises solely equity, movements of which are set out in the Statement of Changes in Equity.

Pillar 1 capital position

	2019 Unaudited £m	2018 Unaudited £m
Total capital resources	148.5	143.9
Solvency Capital Requirement (SCR)	(90.1)	(78.4)
Excess available capital resources	58.4	65.5
Cover ratio	165%	183%

A reconciliation of the total equity to distributable reserves is summarised below:

	2019 Unaudited £m	2018 Unaudited £m
Total equity	156.0	144.3
Less: share capital	(6.8)	(6.8)
Less: other non-distributable reserves	(90.8)	(72.0)
Distributable reserves	**58.4**	**65.5**

27 Related parties

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of transactions with members of The Carlyle Trust Limited group. The following balances were owed to or from related parties at 31 October:

	2019	2018
	£m	£m
Amounts owed from parent and fellow subsidiaries		
Bank deposit held by Julian Hodge Bank Limited – fellow subsidiary	1.3	0.5
Intra-group balance with Julian Hodge Bank Limited	3.5	-
Total (note 12)	**4.8**	**0.5**
Amounts owed to parent and fellow subsidiaries		
Amounts owed to Julian Hodge Bank Limited	-	(1.0)
Group relief owed to Julian Hodge Bank Limited	(1.9)	**-**
Total (note 19)	**(1.9)**	**(1.0)**