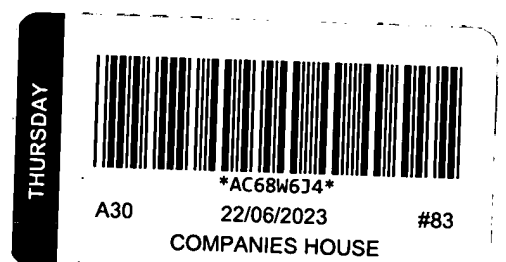


RL Finance Bonds No.2 plc

Annual report and financial statements
for the year ended 31 December 2022

Registered Number 8764613



RL Finance Bonds No.2 plc

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RL Finance Bonds No.2 plc

Company information

Directors

Robert Ferguson
Jane Perkins

Company Secretary

Royal London Management Services Limited

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Registered Office

80 Fenchurch Street
London
EC3M 4BY

Registered in England and Wales
Public limited company – limited by shares

Registered Number

8764613

RL Finance Bonds No.2 plc

Strategic report for the year ended 31 December 2022

The directors present their strategic report for RL Finance Bonds No.2 plc (the Company) for the year ended 31 December 2022.

Review of the business

The Company provides finance to its parent company, The Royal London Mutual Insurance Society Limited (RLMIS). On 29 November 2013, the Company issued £400,000,000 6.125% Fixed Rate Reset Callable Guaranteed Subordinated Notes (the Notes). The proceeds of this issue were lent to RLMIS on the same terms as those applicable to the Notes.

Total comprehensive income for the year was £1,383 (2021: £1,480). The directors do not propose the payment of a dividend and, accordingly, an amount of £1,383 was transferred to reserves (2021: £1,480).

The net assets of the Company were £14,253 at 31 December 2022 (2021: £12,870).

On 25 May 2023, Notes totalling £301,651,000 were repurchased at par following a tender offer. Along with the repurchase of Notes, £8,909,035 in accrued interest was settled. The intercompany loan to RLMIS was also reduced by £301,651,000 along with a settlement of £8,909,035 in accrued interest.

Principal risks and uncertainties

The Company forms part of The Royal London Mutual Insurance Society Limited group (the Group). The principal risks and uncertainties facing the Company are integrated with those facing the Group and are not managed separately. The Company operates within the risk management policies and procedures maintained by its ultimate parent company, The Royal London Mutual Insurance Society Limited (RLMIS). As the proceeds of the issue of the Notes were loaned to RLMIS, reference to the capital position of RLMIS is relevant in relation to the risk management of the Company. At 31 December 2022, RLMIS' Solvency II Regulatory View capital cover ratio was 206% (2021: 173%) which shows its capital position remains resilient to potential market volatility. Further details are discussed within the risk management and capital management notes in the Group's annual report and accounts.

Section 172 statement

Under section 172(1) of the Companies Act 2006, each director of a company has a duty to act in a way which promotes the success of a company for the benefit of the members as a whole. The board of directors of RL Finance Bonds No.2 plc, which is a subsidiary company of a larger group, are committed to the Company achieving its purpose as issuer of the Notes. During the year the Company has given due regard to the running of the Company through suitable corporate governance procedures, which are also closely aligned to those of the Group, as disclosed below.

o Long-term decision-making and relationship with customers

The Company, being the Issuer, is a special purpose vehicle set up for the sole purpose of issuing the Notes and on-lending the proceeds to the Guarantor, RLMIS. The Company is not expected to incur any liabilities other than in connection with the issuance of the Notes and its ongoing general corporate administration. The partial repurchase of Notes completed subsequent to the year end was transacted as part of active management of the Group's capital structure. The short and long-term focus of the Company is to fulfil its remaining payment obligations under the Notes to the investors (see note 9).

o Interests of the company's employees

As a subsidiary of a larger group, the Company does not have any employees. All staff engaged in the Company's business are employed by RLMIS. Further information regarding the Group's approach to its workforce and current year initiatives are disclosed in the Group's annual report and accounts.

o Environmental and community impact

The Company is a subsidiary of a larger group, which gives significant consideration to the impact it has on the environment and communities. Further information about these matters, including the Group's approach to climate change, is detailed and disclosed in the Group's annual report and accounts.

RL Finance Bonds No.2 plc

Strategic report for the year ended 31 December 2022 (continued)

Section 172 statement (continued)

o *Reputation for high standards of business conduct*

The Notes are issued under certain provisions as detailed in the terms and conditions of the Notes and constituted by a Trust Deed. All payments by the Issuer or Guarantor under or arising from the Notes or Guarantee, as applicable, are conditional upon the Guarantor being solvent at the time for payment by the Issuer or, as appropriate, the Guarantor.

The Guarantor, RLMIS, is an insurance company regulated by both the PRA (Prudential Regulation Authority) and the FCA (Financial Conduct Authority) and must comply with the rules and guidance made by the PRA and FCA under the FSMA (Financial Services and Markets Act) and set out in their respective handbooks, as well as conduct of business rules.

Firms that are authorised to write insurance, such as the Guarantor, are required under Solvency II to hold assets to meet their technical provisions and regulatory capital requirements. Risk management procedures are in place for RLMIS to ensure, amongst other items, that sufficient capital is maintained. Further details are available in the Group's annual report and accounts.

As at 31 December 2022 the Notes were rated BBB+ by Standard & Poor's and Baa1 by Moody's (2021: BBB+ and Baa1, respectively).

Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018

The Company does not meet the qualifying thresholds to report on its Corporate Governance arrangements pursuant to the Companies (Miscellaneous Reporting) Regulation 2018.

Key performance indicators (KPIs)

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

Approved by the board and signed on its behalf by



Jane Perkins
Director

19 June 2023

RL Finance Bonds No.2 plc

Directors' report for the year ended 31 December 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

Directors

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

Robert Ferguson (appointed 19 July 2022)
Martin Lewis (resigned 31 December 2022)
Lesley Mitchell (resigned 14 October 2022)
Jane Perkins (appointed 14 October 2022)

Directors' and officers' liability insurance

The Company's ultimate parent, RLMIS, maintains directors' and officers' liability insurance in respect of the Company and its directors which was in force throughout the financial year and through the date the financial statements were approved.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Directors' confirmations

Each of the directors, whose names are listed in Directors' report for the year ended 31 December 2022 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic report for the year ended 31 December 2022 includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Dividends

The directors do not propose the payment of a dividend (2021: £nil).

RL Finance Bonds No.2 plc

Directors' report for the year ended 31 December 2022 (continued)

Post balance sheet event

On 25 May 2023, Notes totalling £301,651,000 were repurchased at par at par following a tender offer. Along with the repurchase of Notes, £8,909,035 in accrued interest was settled. The intercompany loan to RLMIS was also reduced by £301,651,000 along with a settlement of £8,909,035 in accrued interest. There was no net impact to the profit and loss account or net assets of the Company.

Future outlook

For the foreseeable future the Company is not expected to undertake any activity other than the maintenance of its remaining lending arrangements. The directors have not yet made any formal decisions in relation to the First Call Date of the Notes on 30 November 2023 (see note 9 for further details on the terms of the Notes).

Independent auditors

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

Disclosure of information to auditors

The directors who held office as at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and that each director has taken all steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Internal controls and risk management

The board of directors has overall responsibility for the Company's systems of risk management and internal controls. The Company operates within the risk management framework and under the policies, procedures and internal controls maintained by its parent company, RLMIS, and does not maintain its own individual risk management or internal controls procedures. As the proceeds of the issue of the subordinated Notes are loaned to RLMIS there is no material exposure to the Company to additional market, credit or liquidity risk.

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

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

Approved by the board and signed on its behalf by



Jane Perkins
Director
19 June 2023

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc

Report on the audit of the financial statements

Opinion

In our opinion, RL Finance Bonds No.2 plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

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

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.
- Overall we concluded that this gave us the evidence we needed for our opinion on the financial statements.

Key audit matters

- Management override of controls

Materiality

- Overall materiality: £4 million (2021: £4 million) based on 1% of total assets (fixed assets plus current assets).
- Performance materiality: £3 million (2021: £3 million).

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc (continued)

The scope of our audit

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

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matter below is consistent with last year

Key audit matter	How our audit addressed the key audit matter
<u>Management override of controls</u> Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise may appear to be operating effectively. The company's financial reporting included a number of manual processes with a small number of employees responsible across various areas. This heightens the risk of management overriding controls.	We addressed the risk of fraud due to management override of controls by performing the following procedures: - Making enquiries of management and discussing with them the risk of fraud; - Assessing the overall control environment at the entity level; - Performing substantive testing of a sample of manual journal postings; and - Designing our audit approach to include unpredictable procedures, such as testing balances that are immaterial or would not normally be included in our testing. Our testing did not identify any evidence of management overriding controls.

How we tailored the audit scope

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

Our audit scope allowed us to test all the material financial statement line items.

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc (continued)

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

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

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

<i>Overall company materiality</i>	£4 million (2021: £4 million)
<i>How we determined it</i>	1% of total assets (fixed assets plus current assets)
<i>Rationale for benchmark applied</i>	We have determined that the primary users of the financial statements are the company's creditors. We therefore believe that total assets (fixed assets plus current assets) is the primary benchmark used by the company's creditors in assessing the ability of the entity to repay the subordinated liabilities and accrued interest payable.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £3 million (2021: £3 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Directors that we would report to them misstatements identified during our audit above £200,000 (2021: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's going concern assessment;
- Assessment of the value of investments to determine the appropriateness of their valuation including consideration of whether an allowance for expected credit losses should be recognised for possible default events over the expected life of the investment; and
- Review of the going concern position of the parent company, The Royal London Mutual Insurance Society Limited, and assessing the ability of the parent company to continue to repay the loan and interest amounts owed to the company.

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc (continued)

Conclusions relating to going concern (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc (continued)

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Listing Rules and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to manipulate accounting records, such as journals that are not in line with the terms of the loan agreement between the parent, The Royal London Mutual Insurance Society Limited, and the company. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation and testing of management's internal controls designed to prevent and detect irregularities;
- Review relevant meeting minutes include those of the Board;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

RL Finance Bonds No.2 plc

Independent auditors' report to the members of RL Finance Bonds No.2 plc (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Directors, we were appointed by the members on 26 November 2013 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2014 to 31 December 2022.



Lee Clarke (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 June 2023

RL Finance Bonds No.2 plc

Statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £	2021 £
Administrative expenses	2	(4,157)	(4,037)
Interest receivable and similar income	3	24,834,556	24,814,969
Interest payable and similar expenses	4	(24,834,556)	(24,814,969)
Loss before taxation		(4,157)	(4,037)
Tax on loss	5	5,540	5,517
Profit for the financial year		1,383	1,480
Total comprehensive income for the financial year		1,383	1,480

The notes on pages 15 to 19 form an integral part of these financial statements.

RL Finance Bonds No.2 plc

Balance sheet as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	6	399,676,767	399,342,210
Current assets			
Debtors	7	2,162,202	2,160,818
Creditors: amounts falling due within one year	8	(2,147,949)	(2,147,948)
Net current assets		14,253	12,870
Total assets less current liabilities		399,691,020	399,355,080
Creditors: amounts falling due after more than one year			
Subordinated liabilities	9	(399,676,767)	(399,342,210)
Net assets		14,253	12,870
Capital and reserves			
Called up share capital	10	12,500	12,500
Profit and loss account		1,753	370
Total shareholder's funds		14,253	12,870

The financial statements on pages 12 to 19 were approved by the board of directors on 19 June 2023 and signed on its behalf by:



Jane Perkins
Director
RL Finance Bonds No.2 plc
Registered Number: 8764613

The notes on pages 15 to 19 form an integral part of these financial statements.

RL Finance Bonds No.2 plc

Statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Profit and loss account	Total shareholder's funds
	£	£	£
At 1 January 2021	12,500	(1,110)	11,390
Profit for the financial year	-	1,480	1,480
At 31 December 2021 and 1 January 2023	12,500	370	12,870
Profit for the financial year	-	1,383	1,383
At 31 December 2022	12,500	1,753	14,253

The notes on pages 15 to 19 form an integral part of these financial statements.

RL Finance Bonds No.2 plc

Notes to the financial statements for the year ended 31 December 2022

1 Accounting policies

(i) General information

RL Finance Bonds No.2 plc is a public company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 80 Fenchurch Street, London, EC3M 4BY.

(ii) Basis of preparation

The financial statements of the Company ('the financial statements') have been prepared in accordance with UK accounting standard, Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'. The financial statements are also prepared in compliance with the Companies Act 2006 and under the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements have been prepared on a going concern basis under the historical cost convention. As permitted by FRS 102, the Company has chosen to account for the classification and measurement of financial instruments under IFRS 9. The presentation currency of the Company is considered to be pounds sterling as that is the currency of the primary economic environment in which the Company operates.

The Company is a qualifying entity for the purposes of FRS 102 and has taken advantage of the following disclosure exemptions in accordance with FRS 102:

- Financial instruments disclosures and disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities. Disclosures in accordance with these requirements are included in the consolidated accounts of the Company's ultimate parent, RLMIS.
- A cash flow statement and related disclosures.
- Key management compensation.

Also, in accordance with FRS 102, the Company does not provide related party transactions between members of the Group provided that any subsidiary that is party to the transaction is wholly owned by the Group. The Company has a single reportable segment, as prescribed by IFRS 8, 'Operating Segments', and therefore no segmental information is disclosed.

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future and at least 12 months from the date of signing these financial statements. Furthermore, management is not aware of any material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements on a going concern basis.

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

(iii) Interest receivable and similar income

Interest receivable and similar income is accounted for on an accruals basis under the effective interest method and represents interest on the parent loan.

(iv) Interest payable and similar expenses

Interest payable and similar expenses is accounted for on an accruals basis under the effective interest method and represents interest payable on the Notes issued.

RL Finance Bonds No.2 plc

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

(v) Taxation

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

Deferred tax is provided, with no discounting, based on timing differences that arise from the inclusion of income and expenses in tax assessments in different periods from those in which they are recognised in the financial statements. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(vi) Investments

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

(vii) Impairment of financial instruments

An impairment charge in the statement of comprehensive income includes the change in expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated by using an appropriate probability of default and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss. At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

(viii) Debtors and creditors

Debtors and creditors are initially recognised at fair value and are subsequently measured at amortised cost. The Company's debtors are held in order to collect contractual cash flows and are solely payments of principal and interest on the principal amount outstanding. Included within debtors is accrued interest receivable on the parent loan, creditors represent accrued interest payable.

(ix) Subordinated liabilities

Financial instruments that contain an obligation to make interest payments or repayments of principal are classified as liabilities. Subordinated liabilities are recognised initially at the fair value of the proceeds received net of any discount. Subsequent to initial recognition, they are measured at amortised cost. Interest payable is included within 'Interest payable and similar expenses' using the effective interest method. Subordinated liabilities represent the principal invested in the parent loan less remaining unamortised discount.

(x) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information on significant areas of critical judgements in applying accounting policies is described within the significant accounting policies above. There are no significant areas of estimation uncertainty which affect the amounts recognised in the financial statements.

RL Finance Bonds No.2 plc

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Administrative expenses

Administrative expenses of £4,157 (2021: £4,037) are charges for the provision of services made under a management services agreement by Royal London Management Services Limited. The Company has no employees (2021: none). The directors received no remuneration in respect of their services to the Company (2021: £nil). The remuneration of the auditors, PricewaterhouseCoopers LLP, for the year was £8,338 (2021: £7,756) in respect of the audit of the company's financial statements and was borne by the ultimate parent undertaking.

3 Interest receivable and similar income

	2022 £	2021 £
Interest receivable on loan to parent undertaking	24,500,000	24,500,000
Amortisation of discount on loan to parent undertaking	334,556	314,969
	24,834,556	24,814,969

4 Interest payable and similar expenses

	2022 £	2021 £
Interest payable on subordinated liabilities	24,500,000	24,500,000
Amortisation of discount on subordinated liabilities	334,556	314,969
	24,834,556	24,814,969

5 Tax on loss

(i) Tax credit included in profit or loss

	2022 £	2021 £
UK corporation tax credit on the loss for the financial year	(5,540)	(5,517)

RL Finance Bonds No.2 plc

Notes to the financial statements for the year ended 31 December 2022 (continued)

5 Tax on loss (continued)

(ii) Reconciliation of tax credit

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2021: 19%) for the financial year to 31 December 2022. The differences are explained below:

	2022 £	2021 £
Loss before tax	(4,157)	(4,037)
Loss before tax multiplied by the standard rate of UK corporation tax of 19% (2021: 19%)	(790)	(767)
Effects of:		
Tax adjustments and other timing differences	(4,750)	(4,750)
Total tax credit for the year	(5,540)	(5,517)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This was substantively enacted on 24 May 2021.

(iii) Deferred taxation

There is no unprovided deferred tax liability or unrecognised deferred tax asset in these financial statements (2021: £nil).

6 Investments

On 29 November 2013, the Company entered into an agreement to loan to its parent company the proceeds of the issue of Fixed Rate Reset Callable Guaranteed Subordinated Notes (see note 9) on the same interest, repayment and subordination terms as the Notes. The loan was granted at a value of 99.316% of the principal amount of £400,000,000. The discount of £2,736,000 was deducted from the carrying value of the loan and has been amortised during the year on an effective interest basis over the period to the First Call Date of the Notes on 30 November 2023. The loan is carried at the amortised cost of £399,676,767 (2021: £399,342,210).

7 Debtors

	2022 £	2021 £
Amounts owed by Group undertakings	2,162,202	2,160,818

All receivables are due within one year. All amounts owed by Group undertakings are unsecured, interest free and repayable on demand.

8 Creditors: amounts falling due within one year

	2022 £	2021 £
Interest accruals	2,147,949	2,147,948

RL Finance Bonds No.2 plc

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Subordinated liabilities

On 29 November 2013, the Company issued the Fixed Rate Reset Callable Guaranteed Subordinated Notes. The issue price of the Notes was 99.316% of the principal amount of £400,000,000. The discount of £2,736,000 was capitalised as part of the carrying value and has continued to be amortised during the year on an effective interest basis over the period to the First Call Date of the Notes on 30 November 2023.

The Notes are guaranteed by the parent company. The proceeds of the issue were loaned to the parent company on the same interest, repayment and subordination terms as those applicable to the Notes (see note 6).

The Notes mature on 30 November 2043. The Company has the option to redeem all of the Notes at their principal amount on 30 November 2023 (the First Call Date) and on each interest payment date thereafter. Interest is payable on the Notes at a fixed rate of 6.125% per annum for the period to 30 November 2023, payable annually in arrears on 30 November each year. If the Notes are not redeemed on 30 November 2023 the interest rate will be re-set on that date and on the fifth anniversary of that date thereafter, at a rate equal to the five-year gilt rate plus 4.321%.

The Notes are carried at the amortised cost of £399,676,767 (2021: £399,342,210).

Subsequent to the year end, the Company completed a partial repurchase of the outstanding Notes, see note 12 for further detail.

10 Called up share capital

	2022 £	2021 £
Issued and partly paid		
50,000 (2021: 50,000) ordinary shares of £1 each (£0.25 of each paid up)	12,500	12,500

The ordinary shares participate fully in the rights to vote, receive dividends and take part in any distribution of capital. There are no restrictions on the ordinary shares.

11 Ultimate parent undertaking and controlling party

RLMIS, a company registered in England and Wales, is the immediate and ultimate parent undertaking and controlling party.

RLMIS is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements. Copies of RLMIS' financial statements are available from the company's registered office.

12 Post balance sheet event

On 25 May 2023, Notes totalling £301,651,000 were repurchased at par following a tender offer. Along with the repurchase of Notes, £8,909,035 in accrued interest was settled. The intercompany loan to RLMIS was also reduced by £301,651,000 along with a settlement of £8,909,035 in accrued interest. There was no net impact to the profit and loss account or net assets of the Company.