

# St Andrew's Group Limited

## Annual Report and Accounts **2021**

Member of Lloyds Banking Group

<b>CONTENTS</b>	<b>PAGE(S)</b>
Company Information	3
Strategic Report	4 - 9
Directors' Report	10 - 11
Independent Auditors' Report to the Member of St Andrew's Group Limited	12 - 14
Statement of Comprehensive Income for the year ended 31 December 2021	15
Balance Sheet as at 31 December 2021	16
Statements of Cash Flows for the year ended 31 December 2021	17
Statements of Changes in Equity for the year ended 31 December 2021	18
Notes to the Financial Statements for the year ended 31 December 2021	19 - 30

**COMPANY INFORMATION**

**Board of Directors**

S C Quinn (Chair)  
C J Thornton\*  
M K Staples\*  
J M Phythian

\* denotes Executive Director

**Company Secretary**

K J McKay

**Independent Auditors**

Deloitte LLP  
Temple Quay  
3 Rivergate  
Bristol  
BS1 6GD

**Registered Office**

33 Old Broad Street  
London  
EC2N 1HZ

**Company Registration Number**

03011193

## STRATEGIC REPORT

The Directors present their strategic report on St Andrew's Group Limited (the 'Company') for the year ended 31 December 2021.

The Company forms part of the General Insurance business unit within the Insurance and Wealth Division ('Insurance') of Lloyds Banking Group plc (Lloyds Banking Group), focusing on providing insurance to meet our customers' needs.

Our strategy is to help our customers by:

- Delivering a leading customer experience
- Digitising Lloyds Banking Group and its subsidiaries (the 'Group')
- Maximising the Group's capabilities
- Transforming ways of working

The Company is focused on ensuring policyholder obligations are met, while at the same time ensuring the Company is managed to maximise capital efficiency and returns for its shareholder and Lloyds Banking Group Insurance.

To support this, the Company is focused on the result, including dividends, as the key performance indicator of the Company.

### Principal activities

The principal activities of the Company are to receive creditor policy premium renewals and settle customer payments on behalf of other Group companies.

### Result for the year

The result for the year ended 31 December 2021 is a loss after tax of £3 thousand (2020: £2,396 thousand profit). The profit for the prior year was driven by the recovery of impairments recognised in 2019 and 2017. The provisions were in respect of premiums receivable from external parties where the premiums were paid on to the underwriter St. Andrew's Insurance plc (STAI) where there was no likelihood of recovery. No such recoveries were made in 2021. Before such recoveries the prior year loss was £11 thousand. The total net assets of the Company as at 31 December 2021 are £4,763 thousand (2020: £4,766 thousand).

No dividends were paid during the year in respect of 2021 (2020: £nil).

### Long term impact of the UK's exit from the EU

Uncertainties in respect of the medium to long-term implications of the UK's exit from the European Union (EU) on trade, regulation and employment continue to present risks. This includes impacts on supply chains, affordability of goods and services and UK demographics and prosperity. Activity to respond to potential risks include customer communications, market volatility scenario exercises, contingency planning and monitoring of emerging European Economic Area (EEA) regulatory requirements.

### COVID-19

The outbreak of COVID-19 continues to significantly impact the principal risks faced by the Company. Note 16 provides further details of the impact on market risk (note 16 (a)) and credit risk (note 16 (b)).

### Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber attacks and an increase in costs associated with such cyber attacks, all of which could have a materially adverse effect on the Company's results of operations, financial condition or prospects. The Company will continue to monitor the situation and risks to the business.

### Climate Change

Lloyds Banking Group is committed to supporting the aims of the 2015 Paris Agreement, the UK Government's Net Zero target and Ten Point Plan for a Green Industrial Revolution, in transitioning to a more sustainable, low carbon economy and recognises the importance of embedding climate-related risks and opportunities into business operations and strategy.

**STRATEGIC REPORT (continued)****Climate Change (continued)**

The Company is supportive of the Task Force on Climate-Related Financial Disclosures (TCFD) framework and related regulatory expectations, and aligned to best practice outlined by the Climate Financial Risk Forum (CFRF). An intermediate parent of the company, Scottish Widows Group, has published a TCFD aligned report.

Please refer to the Scottish Widows website for the full TCFD report.

**Key performance indicators***Liquidity*

The Company regularly monitors its liquidity position to ensure that, even under stressed conditions, the Company has sufficient liquidity to meet its obligations and remain within the approved risk appetite as set out in note 16.

*Other sources where KPIs are presented*

The Company also forms part of Lloyds Banking Group's Insurance and Wealth Division. The development, performance and position of the Insurance and Wealth Division are presented within Lloyds Banking Group's Annual Report, which does not form part of this report.

The Directors consider that the above is the key performance indicator which is appropriate to the principal activity of the Company. This, together with other metrics which cover customer, operational measures and capital, are included in the balanced scorecard which is used to measure all aspects of the performance of the business. In addition, the Directors are of the opinion that the information presented in the financial statements as a whole, provide the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

Along with fellow direct and indirect subsidiaries of the ultimate Insurance parent undertaking, the Company is included in the calculation of the Scottish Widows Group Solvency II capital surplus.

**Outlook**

The Directors consider that the Company's principal activities will continue to be unchanged for the foreseeable future.

**Principal risks and uncertainties**

The following table describes the principal risks faced by the Company. Further details on financial risks and how the Company mitigates them can be found in note 16, as shown by the note reference.

*Financial risks*

Principal Risk	Note reference	Description
Market risk	16(a)	Market risk is defined as the risk that the Company's capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business. External rates are outwith the Company's control therefore mitigation is via having sufficient financial reserves to cover reduced earnings.
Credit risk	16(b)	Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Company is subject to credit risk through a variety of counterparties through invested assets, cash in liquidity funds, bank accounts and reinsurance. Credit risk is mitigated via the risk transfer policy and the investment policy which ensure exposures are appropriately monitored and action taken where necessary.
Liquidity risk	16(c)	Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. The Company is exposed to liquidity risk from payments to policyholders and non-policyholder related activity. Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

**STRATEGIC REPORT (continued)****Principal risks and uncertainties (continued)***Non-financial risks*

<b>Principal Risk</b>	<b>Description</b>
Operational risk	Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. This includes risks around cyber and information security, provision of external and internal services, financial crimes, financial reporting risk, fraud, IT systems, security and sourcing. Operational risk is managed through an operational risk framework, including a Risk and Control Self-Assessment (RCSA) process, and operational risk policies. The Company maintains a formal approach to operational risk event escalation, whereby material events are identified, captured and escalated. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe, reduce costs, and improve efficiency.
Data risk	Data risk is defined as the risk of failing to effectively govern, manage and control data (including data processed by third party suppliers), leading to unethical decisions, poor customer outcomes, loss of value and mistrust. It is present in all aspects of the business where data is processed, both within the company and by third parties. This risk is measured through a series of quantitative and qualitative indicators, covering data governance, data management, records management, data privacy and ethics. Data risks and controls are monitored and governed in line with an embedded risk management framework, which involves identification, measurement, management, monitoring and reporting.
Long term impact of the UK's exit from the EU	Uncertainties in respect of the medium to long-term implications of the UK's exit from the EU on trade, regulation and employment continue to present risks. This includes impacts on supply chains, affordability of goods and services and UK demographics and prosperity. The Company continues to monitor the wider environment post EU exit, including for market volatility. Scenario planning exercises are performed as part of business as usual, while contingency plans are regularly reviewed for potential strategic, operational and reputational impacts.
Climate risk	The Company is exposed to climate risk through transition and physical risks. The Company considers the impact of climate risk as a risk driver on other risks types, such as credit risk, market risk, and operational risk. Climate risk is mitigated via the application of the Climate Risk Policy, and actions taken to address other risk types.

During the ordinary course of business the Company is subject to complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the UK and overseas.

All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Balance Sheet date.

In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the situation, and no provisions are held in relation to such matters. However, the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

**STRATEGIC REPORT (continued)****Section 172(1) Statement and Statement of Engagement with Other Stakeholders**

The Board is collectively responsible for the long-term success of the Company. Understanding the interests of key stakeholders (this includes customers, shareholders, communities and environment, regulators and suppliers), is central to the Company's strategy, crucial to the Company's success, and informs key aspects of Board decision-making as set out in this Statement.

Stakeholder engagement is embedded in all aspects of the Board's decision-making and can be seen in the range of tailored activities across key stakeholder groups. It is also embedded in the Board's delegation of the management of the Company's business to management.

Management provide the Board with details of material stakeholder interaction and feedback, through regular business updates. Stakeholder interests are also identified by management in the wider proposals put to the Board.

During 2021 (as in 2020), interaction with stakeholders evolved in response to the Government's on-going provisions on global Covid-19 and the Company has made use of tools that enable virtual engagement.

This section (pages 7 to 9) acts as our Section 172(1) Statement, however given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Directors provide this Statement describing the ways in which they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172. Further details on key actions in this regard are also contained within the Directors' Report on pages 10 to 11.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this Statement also provides examples of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of Lloyds Banking Group, and as such follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this statement where relevant.

*Customers*

The Board's understanding of customers' needs is vital in setting and achieving the Company's goals. Customer needs and a customer-centric approach remain therefore a key consideration in Board decisions.

*Customer Trust*

Customer trust is always a priority for the Board. The Insurance business of Lloyds Banking Group, of which the Company is part, aims to treat all customers fairly and make it easy for customers to find, understand and access products that are right for them. Regular reporting from management allows the Board to monitor performance. The Insurance business reviews, where appropriate, customer-related risk matters and scrutinises risk performance data (including Complaints and Conduct Risk Appetite Metrics) to identify areas where improvements can be made. The Lloyds Banking Group Insurance business, of which the Company is part, also considers customer feedback and related management information, including as part of its strategic decision-making process.

*Delivering Value for Customers*

The Insurance business, of which the Company is part, routinely reviews the performance of its customer propositions. This includes reviewing the effectiveness of the various channels open to customers to do business with Lloyds Banking Group's Insurance business, alongside the impacts of the Covid-19 pandemic on the UK economy and how the Insurance business's propositions might adapt to support customers as a result.

*Technology Transformation*

The Company is a part of the Insurance business of Lloyds Banking Group. The Insurance business has taken steps to build on its responses to customer demand for technology. Whilst Digital transformation has remained a key focus in improving the customer experience, the Board acknowledges that many customers still value being able to get in touch with customer service colleagues over the phone, via letter or through email. The importance of the Insurance business continuing to offer and improve these services in parallel is recognised by the Board.

**STRATEGIC REPORT (continued)****Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)***Helping Britain Recover*

The Board continues to participate appropriately in all Lloyds Banking Group related initiatives. The lasting social and economic effects on the UK as it emerges from the early impacts of the Covid-19 pandemic has been a focus of Lloyds Banking Group and its Helping Britain Recover Plan, building on its Helping Britain Prosper ambitions. The focus of Lloyds Banking Group's purpose will evolve in response to the current environment and changing customer needs and expectations. Helping rebuild UK households' financial health and wellbeing and accelerating the transition to a low-carbon economy are key commitments within the Helping Britain Recover Plan.

Lloyds Banking Group continues to invest significantly in the development of its Insurance business, which the Company forms part of, with a focus on supporting customers' long-term financial resilience and ambition to deliver good outcomes for customers in a sustainable way. Further information on Lloyds Banking Group's initiatives can be found in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2021, available on the Lloyds Banking Group website

*Shareholders*

The Company is a wholly owned subsidiary of Lloyds Banking Group, forming part of its Insurance and Wealth Division. As a wholly owned subsidiary the Board ensures that the strategy, priorities, processes and practices of the Company are aligned where appropriate to those of Lloyds Banking Group, ensuring that its interests as the Company's shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group with its shareholders is included within the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2021, available on the Lloyds Banking Group website.

*Communities and the Environment*

The Company is part of Lloyds Banking Group, one of the largest financial services providers in the UK whose goals are to be a trusted, sustainable, and responsible business.

The Responsible Business Committee of the Board of Lloyds Banking Group is responsible for overseeing its performance, including that of the Company, as a Responsible Business, and has given much focus to overseeing the development of the Lloyds Banking Group's Helping Britain Recover Plan. This plan continues its strategy of Helping Britain Prosper ambitions, designed to play a part in the UK's recovery from the Covid-19 pandemic. The views of stakeholders have also informed the Responsible Business Committee's role in the development of Lloyds Banking Group's Society of the Future ambitions, which aim to fully integrate its societal objectives with its business objectives.

Sustainability is an important issue for the Insurance business and for Lloyds Banking Group as a whole. During 2021 the Insurance business scrutinised sustainability initiative pilots both underway and planned within the General Insurance business which aim to reduce carbon emissions and drive societal change.

*Environmental Ambitions*

The Company's strategy in relation to Environmental Ambitions is covered in the Climate Change section commencing on page 4 of this report.

*Suppliers*

The Insurance business of Lloyds Banking Group has entered into a number of strategic partnerships for important aspects of its operations and customer service provision. As well as external partners, the Insurance business relies on internal supplier arrangements within Lloyds Banking Group for certain services. The Board recognises the importance of these relationships.

*Supplier Experience*

Recognising the role of suppliers in day to day operations, and future ambitions, the Insurance business of Lloyds Banking Group, of which the Company is part, undertakes regular reviews of its key suppliers and takes into consideration supplier feedback on the Company's processes for potential improvement.



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**STRATEGIC REPORT (continued)****Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)***Supplier Framework*

Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group's Sourcing and Supply Chain Management Policy applies to all its businesses, divisions, and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. As a result, the most significant supplier contracts receive the approval of the Board, including those which are key in progressing strategic priorities. The framework also ensures appropriate management oversight of supplier spending not considered by the Board, allowing challenge to be made where appropriate, and minimising risks and unnecessary cost.

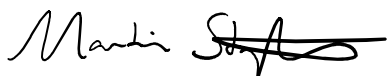
Suppliers are required to adhere to relevant Lloyds Banking Group policies and comply with its Code of Supplier Responsibility which can be found on the Lloyds Banking Group website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and Lloyds Banking Group to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

*Modern Slavery*

The Responsible Business Committee of the Board of Lloyds Banking Group as part of its oversight of its performance, including that of the Company, as a Responsible Business, governs Lloyds Banking Group's approach to human rights. On a day-to-day basis, management of and engagement on modern slavery and human rights is guided by a cross-divisional working group led by the Responsible Business team, which meets regularly to assess the embedding of human rights within Lloyds Banking Group's operations.

Lloyds Banking Group, and the Company, have a zero-tolerance attitude towards modern slavery in its supply chains. Lloyds Banking Group's Modern Slavery and Human Trafficking Statement and Human Rights Policy Statement are published on its website and cover all its subsidiary companies, including the Company which is required to publish an annual statement, and sets out the steps taken to prevent modern slavery in Lloyds Banking Group's business and supply chains.

On behalf of the Board of Directors



M K Staples

Director

30 June 2022

**DIRECTORS' REPORT**

The Directors present the audited financial statements of the Company. The Company is a limited liability company, domiciled and incorporated in the United Kingdom.

The Company is a wholly owned subsidiary of Lloyds Bank General Insurance Holdings Limited. The Company's ultimate parent company and ultimate controlling party is Lloyds Banking Group.

**Result for the year**

The result for the year ended 31 December 2021 is a loss after tax of £3 thousand (2020: £2,396 thousand profit) as set out in the Statement of Comprehensive Income on page 15.

The profit for the prior year was driven by the recovery of impairments recognised in 2019 and 2017. The provisions were in respect of premiums receivable from external parties where the premiums were paid on to the underwriter StAI where there was no likelihood of recovery. No such recoveries were made in 2021. Before such recoveries the prior year loss was £11 thousand. The total net assets of the Company as at 31 December 2021 are £4,763 thousand (2020: £4,766 thousand).

No Dividends were paid during the year in respect of 2021 (2020: £nil). The Directors do not recommend any dividends in respect of 2021.

**Post balance sheet events**

Further information on post balance sheet events is set out in note 20.

**Directors**

The names of the current Directors of the Company are listed on page 3.

**Directors' indemnities**

Lloyds Banking Group plc has granted deeds of indemnity by deed poll and by way of entering into individual deeds, which for the purposes of the Companies Act 2006 constitute 'qualifying third-party indemnity provisions', to the directors of its subsidiary companies, including those of the Company. Such deeds were in force during the whole of the financial year and at the date of approval of the financial statements. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Company has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

**Disclosure of information to auditors**

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

**Future developments**

Future developments are detailed within the Strategic Report and also in note 19.

**Going concern**

The going concern of the Company is dependent on successfully maintaining adequate levels of capital and liquidity. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management section (note 16). Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

**Financial risk management**

Disclosures relating to financial risk management are included in note 16 to the financial statements and are therefore incorporated into this report by reference.

**DIRECTORS' REPORT (continued)****Independent auditors**

Following the resignation of PricewaterhouseCoopers LLP on 7 July 2021, Deloitte LLP were appointed as auditors of the Company by resolution of the members dated 19 July 2021.

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and Deloitte LLP will therefore continue in office.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and Accounts 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 Company financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors whose names are listed on page 3 confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company
- the Strategic Report on pages 4 to 9, and the Directors' Report on pages 10 and 11 include 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

On behalf of the Board of Directors



M K Staples

Director

30 June 2022

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ANDREW'S GROUP LIMITED****Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of St Andrew's Group Limited.

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 20

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the United Kingdom.

**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.

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, 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.

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.

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.

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

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ANDREW'S GROUP LIMITED (continued)**

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.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the procedures above, we have identified the rights and obligations of the insurance payables as a significant risk of material misstatement with an opportunity for fraud. Management are required to exert judgement when identifying the obligating event and ability to extinguish the liability. We have gained an understanding of the internal controls implemented by management, assessed a sample of the balance for evidence of the obligating event, and challenged management on their judgements on recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST ANDREW'S GROUP LIMITED (continued)****Report on other legal and regulatory requirements****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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 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.

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



Tom Noble, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, UK  
30 June 2022

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Administrative expenses	3	(8)	(11)
Reversal of impairment	4	-	2,385
<b>Operating (expenses)/income before financing income</b>		<b>(8)</b>	<b>2,374</b>
Investment Income	5	1	20
Net gains on assets at fair value through profit or loss	6	-	2
<b>Net finance income</b>		<b>1</b>	<b>22</b>
<b>(Loss)/profit before tax</b>		<b>(7)</b>	<b>2,396</b>
Taxation	7	4	-
<b>(Loss)/profit for the year</b>		<b>(3)</b>	<b>2,396</b>

There are no items of comprehensive income which have not already been presented in arriving at the (loss)/profit for the year. Accordingly, the (loss)/profit for the year is the same as total comprehensive (expense)/income for the year.

The notes on pages 19 to 30 are an integral part of these financial statements.

## BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
<b>ASSETS</b>			
Deferred tax assets	8	15	15
Financial assets:			
Investments at fair value through profit or loss	9	-	268
Loans and receivables at amortised cost	10	1,842	904
Current tax recoverable	11	4	1
Cash and cash equivalents	12	8,927	7,938
<b>Total assets</b>		<b>10,788</b>	<b>9,126</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Share capital	13	1,000	1,000
Retained profits		3,763	3,766
<b>Total equity</b>		<b>4,763</b>	<b>4,766</b>
<b>Liabilities</b>			
Other financial liabilities	14	6,025	4,360
<b>Total liabilities</b>		<b>6,025</b>	<b>4,360</b>
<b>Total equity and liabilities</b>		<b>10,788</b>	<b>9,126</b>

The notes set out on pages 19 to 30 are an integral part of these financial statements.

The financial statements on pages 15 to 30 were approved by the Board of Directors on 20 May 2022 and signed on its behalf by:



M K Staples

Director

30 June 2022



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000	2020 £000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(7)	2,396
Adjusted for:			
Investment income and unrealised fair value movements	5,6	(1)	(22)
Net increase/(decrease) in operating assets and liabilities	15	729	(3,218)
Taxation (received)/paid		(1)	3
<b>Net cash flows generated/(used) in operating activities</b>		720	(841)
<b>Cash flows from investing activities</b>			
Interest received		1	20
Receipts from sale of investment		268	-
<b>Net cash flows generated from investing activities</b>		269	20
<b>Net increase/(decrease) in cash and cash equivalents</b>		989	(821)
Cash and cash equivalents at the beginning of the year		7,938	8,759
<b>Net cash and cash equivalents at end of the year</b>	12	8,927	7,938

The notes set out on pages 19 to 30 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £000	Retained profits £000	Total equity £000
<b>Balance at 1 January 2020</b>	1,000	1,370	2,370
Profit and total comprehensive income for the year	-	2,396	2,396
<b>Balance at 31 December 2020</b>	1,000	3,766	4,766
Loss and total comprehensive expenses for the year	-	(3)	(3)
<b>Balance at 31 December 2021</b>	1,000	3,763	4,763

The notes on pages 19 to 30 are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021****1 Accounting policies**

The accounting policies adopted in the preparation of the financial statements, which have been consistently applied to all periods presented in these financial statements unless stated otherwise, are set out below.

**(a) Basis of preparation**

The financial statements of the Company have been prepared:

- (1) in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006
- (2) under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

In accordance with IAS 1 'Presentation of Financial Statements', assets and liabilities in the balance sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The Company forms part of Lloyds Banking Group, which prepares a group set of consolidated financial statements under IFRS.

*Standards and interpretations effective in 2021*

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2021 which have had a material impact on the Company.

**(b) Financial assets and financial liabilities**

Management determines the classification of its financial assets and financial liabilities at initial recognition. Management's policies for the recognition of specific financial assets and financial liabilities, as identified on the Balance Sheet, are set out under the relevant accounting policies.

On initial recognition, financial assets are classified as measured at amortised cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. Financial assets with embedded derivatives are considered in their entirety when considering their cash flow characteristics. The Company reclassifies financial assets when and only when its business model for managing those assets changes. A reclassification will only take place when the change is significant to the Company's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare.

The Company initially recognises loans and receivables when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

**1 Accounting policies (continued)****(b) Financial assets and financial liabilities (continued)**

Transaction costs incidental to the acquisition of a financial asset are expensed through the Statement of Comprehensive Income, within net gains and losses on assets and liabilities at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(c) Fair value methodology**

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed are categorised into a 'fair value hierarchy' as follows:

**(i) Level 1**

Valued using quoted prices in active markets for identical assets and liabilities to those being valued. An active market is one in which arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis. Examples include listed equities, listed debt securities, Open Ended Investment Companies (OEICs) and unit trusts traded in active markets and exchange traded derivatives such as futures.

**(ii) Level 2**

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar (but not identical) instruments in active markets;
- Quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers;
- Inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates); and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Examples of these are securities measured using discounted cash flow models based on market observable swap yields such as Over the Counter interest swaps, listed debt and restricted equity securities.

**(iii) Level 3**

Valuations are based on mathematical models, market prices/data (where available) and subjective assumptions, including unobservable inputs. Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability, for example private equity investments held by company. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Further analysis of the Company's instruments held at fair value is set out in note 9. The Company's management, through a fair value pricing committee, review information on the fair value of the Company's financial assets and the sensitivities to these values on a regular basis.

Transfers between different levels of the fair value hierarchy are deemed to have occurred at the next reporting date after the change in circumstances that caused the transfer.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

**1 Accounting policies (continued)****(d) Revenue recognition***Investment Income*

Interest income for all interest-bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within investment income.

*Net gains and losses on assets and liabilities at fair value through profit or loss*

Net gains and losses on assets and liabilities at fair value through profit or loss includes both realised and unrealised gains and losses. Movements are recognised in the Statement of Comprehensive Income in the period in which they arise.

**(e) Expense recognition***Administrative expenses*

Administrative expenses are recognised in the Statement of Comprehensive Income as incurred..

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash at bank, short-term highly liquid investments with original maturities of three months or less (excluding such investments as otherwise meet this definition but which are held for investment purposes rather than for the purposes of meeting short-term cash commitments) and bank overdrafts where a legal right of set off exists.

**(g) Impairment***Financial assets*

The 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 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). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective, such as external bank accounts. Typically financial instruments with an external credit rating of investment grade are considered to have low credit risk.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

**1 Accounting policies (continued)****(g) Impairment (continued)***Non-financial assets*

Assets that have an indefinite useful life are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

*Reversal*

Provisions relating to premium collection and/or refund activity undertaken on behalf of other group companies after the signing of their financial statements and accounts are recognised by the company. In the following accounting period the company will recover the provision from the other group companies.

**(h) Taxes**

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of Comprehensive Income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

*Current tax*

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

*Deferred tax*

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

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

**1 Accounting policies (continued)****(i) Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

**(j) Dividends payable**

Dividends payable on ordinary shares are recognised in equity in the period in which they are approved.

**(k) Other financial liabilities**

Other financial liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within other financial liabilities.

**2 Critical accounting estimates and judgements in applying accounting policies**

The Company's management makes estimates and judgements that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

**a. Key sources of estimation uncertainty**

In the course of preparing these financial statements, no critical accounting estimates have been made in the process of applying the Company's accounting policies.

**b. Critical judgements**

The Directors also use judgement in the process of applying the Company's accounting policies. The following judgements have the most significant effect on the amounts recognised in the financial statements.

**Assessment of Settlement of Liabilities**

Included within Other Financial Liabilities (note 14) are Insurance Payables which reflect balances due to third parties where ultimate settlement is uncertain. Management has taken a judgement that these balances do not meet the criteria for extinguishment under IFRS 9 and therefore retain these amounts on the balance sheet.

**3 Administrative expenses**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Administration expenses	8	11
<b>Total</b>	<b>8</b>	<b>11</b>

Audit fees for 2021 (£3,150) and 2020 (£3,000) were borne by fellow Lloyds Banking Group subsidiaries. The Company had no direct employees during the year (2020: nil).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 4 Reversal of impairment

	2021 £000	2020 £000
Reversal of impairment	-	2,385
<b>Total</b>	-	2,385

During 2020 an impairment made in 2019 in respect of irrecoverable assets was reversed and passed on to STAI. This impairment was in respect of premiums receivable from external parties where premiums had been paid on to the STAI where there was no likelihood of recoverability.

## 5 Investment Income

	2021 £000	2020 £000
Interest income	1	20
<b>Total</b>	1	20

## 6 Net gains on assets at fair value through profit or loss

	2021 £000	2020 £000
Fair value gains on unlisted Collective Investment Scheme	-	2
<b>Total</b>	-	2

## 7 Taxation (credit)

## (a) Current year tax (credit)

	2021 £000	2020 £000
<b>Current tax</b>		
UK corporation tax	(4)	(1)
<b>Total current tax (credit)</b>	(4)	(1)
<b>Deferred tax (note 8)</b>		
Deferred tax charge	-	1
<b>Total deferred tax charge</b>	-	1
<b>Total income tax (credit)/ charge</b>	(4)	-

Corporation tax is calculated at a rate of 19 per cent (2020: 19 per cent) of the taxable profit for the year.

## (b) Reconciliation of tax (credit)/ charge

	2021 £000	2020 £000
<b>(Loss)/profit before tax</b>	(7)	2,396
<b>Tax credit/(charge) at 19% (2020: 19%)*</b>	1	(455)
Effects of:		
Non-taxable items	-	453
Reduction in tax rate and related impacts	3	2
<b>Tax credit/(charge) on (loss)/profit for the year</b>	4	-

The effective tax rate for the year is 57.14 per cent (2020: 0 per cent).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 8 Deferred tax assets

	Total capital allowances £000
At 1 January 2020	16
Statement of Comprehensive Income charge during 2020	(1)
At 31 December 2020	15
Statement of Comprehensive Income charge during 2021	-
<b>At 31 December 2021</b>	<b>15</b>

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

At the balance sheet date, a deferred tax asset of £14,683 has been recognised based on the expectation that the company will be able to benefit from group relief with connected companies.

## 9 Investments at fair value through profit or loss

	2021 £000	2020 £000
Collective Investment Scheme - Aberdeen Ultra Short Duration Sterling Fund	-	268
<b>Total</b>	<b>-</b>	<b>268</b>

During 2021, the company disposed of assets totalling £0.3 million relating to the sale of unlisted collective investment schemes.

## 10 Loans and receivables at amortised cost

	2021 £000	2020 £000
Amounts due from related parties	1,756	902
Sundry debtors	86	2
<b>Total</b>	<b>1,842</b>	<b>904</b>

All of the above loans and receivables at amortised cost are expected to be received within one year of the reporting date.

## 11 Current tax recoverable

	2021 £000	2020 £000
Income tax assets	4	1
<b>Total</b>	<b>4</b>	<b>1</b>

All balances are recoverable within one year.

## 12 Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	8,927	7,938
<b>Total</b>	<b>8,927</b>	<b>7,938</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 13 Share capital

	2021 £000	2020 £000
<b>Issued and fully paid share capital:</b>		
1,000,000 (2020: 1,000,000) ordinary shares of £1 each	1,000	1,000
<b>Total</b>	<b>1,000</b>	<b>1,000</b>

## 14 Other financial liabilities

	2021 £000	2020 £000
Amounts due to related parties	4,043	2,366
Insurance payables	1,982	1,994
<b>Total</b>	<b>6,025</b>	<b>4,360</b>

All other financial liabilities are payable within one year. Amounts due to related parties are due to STAI.

## 15 Net increase/(decrease) in operating assets and liabilities

	2021 £000	2020 £000
(Decrease)/increase in loans and receivables	(938)	4,728
Increase/(decrease) in other financial liabilities	1,667	(7,946)
<b>Net increase/(decrease) in operating assets and liabilities</b>	<b>729</b>	<b>(3,218)</b>

## 16 Risk management

The Company is a part of Lloyds Banking Group. The principal activities of the Company are to receive creditor policy premium renewals and settle customer payments on behalf of other Group companies.

This note summarises the financial risks and the way in which they are managed.

The Company is exposed to a range of financial risks through its financial assets and financial liabilities.

The timing of the unwind of the deferred tax assets and liabilities is dependent on the timing of the unwind of the temporary timing differences, arising between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes, to which these balances relate.

The sensitivity analyses given throughout this note are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated, for example changes in interest rates and changes in market values. The sensitivity analysis presented also represents management's assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

## (a) Market risk

Market risk is defined as the risk that our capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business.

The Company's objective in managing market risk is to maximise returns from investments whilst ensuring regulatory requirements are met and adequate financial security is maintained on an on-going basis.

The Company was exposed in the year to market risk in Collective Investment Schemes: unlisted investments which are authorised and regulated by the FCA and fall under the EU directive on Undertakings for Collective Investment in Transferable Securities.

Investments in collective investment schemes are categorised as level 1 in the fair value hierarchy.

The Directors do not consider market risk to be a significant risk to the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 16 Risk management (continued)

## (b) Credit risk

Credit Risk is defined as the risk that parties with whom the Company has contracted, fail to meet their financial obligations (both on or off balance sheet).

Credit risk is managed in line with the Insurance Credit Risk Policy and the wider Lloyds Banking Group Credit Risk Policy which set out the principles of the credit control framework. Credit risk to the Company arises primarily from exposure to loans and receivables at amortised cost and financial assets at fair value through profit or loss. Exposure to loans and receivables at amortised cost is assessed on a case by case basis, using a credit rating agency where appropriate.

Expected credit losses are calculated using three key input parameters: the probability of default (PD) (except for lifetime expected credit losses), the loss given default (LGD) and the exposure at default (EAD). The probability of default and expected loss given default are determined using internally generated credit ratings.

Expected credit losses are measured on a collective basis for certain groups of financial assets, such as trade receivables due from external parties which are considered to be homogenous in terms of their risk of default.

The following table sets out details of the credit quality of financial assets that are neither past due nor impaired:

## As at 31 December 2021

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
<b>Stage 1 assets</b>						-
Loans and receivables at amortised cost	1,842	-	-	1,756	-	86
Cash and cash equivalents	8,927	-	-	8,927	-	-
<b>Exposure to credit risk</b>	<b>10,769</b>	<b>-</b>	<b>-</b>	<b>10,683</b>	<b>-</b>	<b>86</b>
<b>Assets at fair value through profit or loss</b>						-
Cash and cash equivalents	-	-	-	-	-	-
<b>Total</b>	<b>10,769</b>	<b>-</b>	<b>-</b>	<b>10,683</b>	<b>-</b>	<b>86</b>

## As at 31 December 2020

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
<b>Stage 1 assets</b>						
Loans and receivables at amortised cost	904	-	-	902	-	2
Cash and cash equivalents	7,938	-	-	7,938	-	-
<b>Exposure to credit risk</b>	<b>8,842</b>	<b>-</b>	<b>-</b>	<b>8,840</b>	<b>-</b>	<b>2</b>
<b>Assets at fair value through profit or loss</b>						
Cash and cash equivalents	268	268	-	-	-	-
<b>Total</b>	<b>9,110</b>	<b>268</b>	<b>-</b>	<b>8,840</b>	<b>-</b>	<b>2</b>

Amounts classified as 'not rated' in the above table are not rated by Standard and Poor or an equivalent rating agency.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 16 Risk management (continued)

## (c) Liquidity risk

Liquidity risk is defined as the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can secure them only at excessive cost.

Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider Lloyds Banking Group Funding and Liquidity Policy.

The table below analyses the Company's financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are undiscounted.

## As at 31 December 2021

	Total £000	Up to 3 months £000	3-12 months £000	1-2 years £000	More than 2 years £000
Amounts owed to related parties	4,043	4,043	-	-	-
Insurance payables	1,982	1,982	-	-	-
<b>Total</b>	<b>6,025</b>	<b>6,025</b>	-	-	-

## As at 31 December 2020

	Total £000	Up to 3 months £000	3-12 months £000	1-2 years £000	More than 2 years £000
Amounts owed to related parties	2,366	2,366	-	-	-
Insurance payables	1,994	1,994	-	-	-
<b>Total</b>	<b>4,360</b>	<b>4,360</b>	-	-	-

## (d) Concentration risk

*Credit concentration risk*

Credit concentration risk relates to the inadequate diversification of credit risk.

Credit risk is managed through the setting and regular review of counterparty credit and concentration limits on asset types which are considered more likely to lead to a concentration of credit risk. However, for other assets, such as investments in funds falling under the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive (which are almost all the Company's assets) no limits are prescribed as the risk of credit concentration is deemed to be immaterial. This policy supports the approach mandated by the PRA for regulatory reporting.

Exposure to credit risk is concentrated across counterparties as follows:

	2021 £000	2020 £000
Trade and other receivables:		
Amounts due from Group undertakings	1,756	902
Sundry debtors	86	2
Cash and cash equivalents (amounts due from financial institutions)	8,927	7,938
<b>Total</b>	<b>10,769</b>	<b>8,842</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

**16 Risk management (continued)****(d) Concentration risk (continued)***Liquidity concentration risk*

Liquidity concentration risk arises where the Company is unable to meet its obligations as they fall due or do so only at an excessive cost, due to over-concentration of investments in particular financial assets or classes of financial asset.

As most of the Company's invested assets are cash and cash equivalents it is unlikely that a material concentration of liquidity concentration could arise.

This is supplemented by active liquidity management in the Company, to ensure that even under stress conditions the Company has sufficient liquidity as required to meet its obligations. This is delegated by the Board to and monitored through the Insurance and Wealth Asset and Liability Committee (IWALCO), the Insurance and Wealth Risk Committee (IWRC) and Insurance Banking Liquidity Operations Committee (BLOC).

**17 Contingencies and commitments***Other legal actions and regulatory matters*

During the ordinary course of business the Company is subject to complaints and threatened or actual legal proceedings brought by or on behalf of current or former employees, customers, investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the United Kingdom and overseas.

All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the situation, and no provisions are held in relation to such matters. However the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

**18 Related party transactions****(a) Ultimate parent and shareholding**

The Company's immediate parent undertaking is Lloyds Bank General Insurance Holdings Limited, a company registered in the UK. Lloyds Bank General Insurance Holdings Limited has taken advantage of the provisions of the Companies Act 2006 and has not produced consolidated financial statements.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these financial statements. Once approved, copies of the consolidated annual report and financial statements of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

## 18 Related party transactions (continued)

## (b) Transactions and balances with related parties

## Transactions with other Lloyds Banking Group companies

The Company has entered into transactions with related parties in the normal course of business during the year.

Relationship	2021		Payable at period end £000	Receivable at period end £000
	Income during period £000	Expenses during period £000		
Other related parties	-	-	4,043	10,683

Relationship	2020		Payable at period end £000	Receivable at period end £000
	Income during period £000	Expenses during period £000		
Other related parties*	2,385	-	2,368	8,841

\*Income received in the prior period related to the recovery of impairments (note 4).

## Transactions between the Company and entity employing key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and Insurance and Wealth Executive Committee (IWECE) members. The emoluments of key management are not recharged to this Company as it is considered that their services to this Company are incidental to their other activities within Lloyds Banking Group.

## 19 Future accounting developments

There are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

## 20 Post balance sheet events

## Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber attacks and an increase in costs associated with such cyber attacks, all of which could have a materially adverse effect on the Company's results of operations, financial condition or prospects. The Company will continue to monitor the situation and risks to the business.