01628564

Lloyds Bank General Insurance Holdings Limited

Annual Report and Accounts
2022

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

J S Wheway (Chair)

W L D Chalmers
S J O'Connor
D L Davis
J C S Hillman*
A Lorenzo*
C J G Moulder
A J Reizenstein
G E Schumacher

* denotes Executive Director

Company Secretary

J M Jolly

Independent Auditor

Deloitte LLP
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London
EC4A 3HQ

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Registration Number

01628564

STRATEGIC REPORT

The Directors present their strategic report on Lloyds Bank General Insurance Holdings Limited (the 'Company') for the year ended 31 December 2022.

The Company and its subsidiaries contribute to the results of the Insurance, Pensions and Investments (IP&I) Division of Lloyds Banking Group, focusing on providing general 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

Through our strategy we have focused on transforming ourselves into a digitised, simple, low risk, customer focused, United Kingdom (UK) general insurance provider, including home insurance, creditor insurance, pet insurance, accident and health insurance marketed primarily under the Lloyds Bank, Bank of Scotland and Halifax brands and sold predominantly through direct channels, Lloyds Banking Group distributors and corporate partnerships.

Principal activities

The Company is a holding company and its subsidiaries provide general insurance services.

Result for the Year

The result for the year ended 31 December 2022 is a profit after tax of £75.0 million (2021 profit: £80.8 million). The total net assets of the Company at 31 December 2022 are £400.1 million (2021: £311.6 million).

Dividends of £nil were paid during the year in respect of 2022 (2021: £60.0 million).

During 2022, the Company issued ordinary share capital of £13.5 million to its parent, Scottish Widows Group Limited (SWG).

Investment in subsidiaries increased by £88.5 million in the year due to a £88.5 million investment in new shares in the subsidiaries Lloyds Bank General Insurance Limited (£75 million) and Lloyds Bank Insurance Services Limited (£13.5 million).

Economic Environment

After starting 2022 with economic activity constrained by COVID-19, UK GDP recovered almost to its pre-pandemic level by mid-year. During the second half of the year, however, Russia's invasion of Ukraine began to have a large impact on global and UK economies. Higher energy and supply chain costs, and increasing food prices, contributed to pushing UK CPI inflation to a 41 year high of 11 per cent during the fourth quarter. These factors have all contributed to increasing the cost of living which impacts the Company and customers of its subsidiaries. In line with Lloyds Banking Group's purpose of Helping Britain Prosper and a clear customer focus, Lloyds Banking Group are providing support to those most affected by changes to the economic environment. The Company will continue to monitor the situation and risks to the business.

Climate Change

The Company is a subsidiary of Lloyds Banking Group plc. Lloyds Banking Group (LBG) is committed to supporting the aims of the 2015 Paris Agreement 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.

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) has published a TCFD aligned report at the intermediate parent entity level, Scottish Widows Group Limited.

The full SWG TCFD report is available on the Scottish Widows website at www.scottishwidows.co.uk/climatereport.

STRATEGIC REPORT (continued)

Key performance indicators

The Company's principal business during the year was the holding of investments in subsidiaries. Its principal income is the receipt of dividends from these subsidiaries. During the year the Company received total dividend income of £75 million (2021: £85 million) from the following entities: Lloyds Bank Insurance Services Limited £50 million (2021: £55 million), St Andrew's Insurance plc £25 million, (2021: £25 million) and Halifax General Insurance Services Limited £nil (2021: £5 million).

The Directors are of the opinion that the above is the key performance indicator which is appropriate to the principal activity of the Company.

Other Sources where KPIs are presented

The Company also forms part of Lloyds Banking Group's Insurance, Pensions and Investments (IP&I) Division. The development, performance and position of the IP&I Division are presented within Lloyds Banking Group's annual report, which does not form part of this report.

Outlook

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

Principal risks and uncertainties

The Company through its investment in subsidiaries is also exposed to financial risk, in particular the risk of financial loss arising from impairment of subsidiary companies, the adoption of inappropriate accounting policies, ineffective controls over financial reporting and financial reporting fraud. Further details on the current year impairment are included in note 7.

The following table describes the principal risks faced by the Company through its investment in subsidiaries. Further details on financial risks and how the Company mitigates them can be found in note 13, as shown by the note reference.

Financial risks

Principal Risk	Note reference	Description
Market risk	13(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	13(b)	Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Company through its investment in subsidiaries 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	13(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. Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

Non-financial risks

The Company faces a variety of non-financial risks through its operations. The Company manages these risks by following the embedded Risk Management Framework (RMF) which uses methodologies and systems consistent with those implemented across Lloyds Banking Group. The various stages of the framework cover the identification, measurement, management monitoring and reporting of risks.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Principal Risk	Description
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, and security. 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.
Climate risk	Climate risk is defined as the risk that the Company experiences losses and/or reputational damage, either from the impacts of climate change and the transition to net zero, or as a result of the Company's responses to tackling climate change. 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.

Section 172(1) Statement

The Board is collectively responsible for the long-term success of the Company. Understanding the views and interests of key stakeholders (this includes customers, shareholders, communities and environment, regulators, and suppliers), is central to the Company's strategy and informs key aspects of Board decision making. Stakeholder engagement is embedded within the Board's decision making and can be seen in the range of activities across key stakeholder groups.

In accordance with the Companies Act 2006 (the 'Act') the Directors of the Board provide this Statement, describing how they have had regard to the matters set out in Section 172(1) of the Act when fulfilling their duty to promote the success of the Company, under Section 172 of the Act.

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 plc, and as such, follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this Statement where relevant.

How the Board has discharged its Section 172 duties

The Directors, on appointment and during their induction to the Board, are briefed on their statutory director duties and the standards required of subsidiary boards within Lloyds Banking Group. The Board undertakes an annual review of its governance arrangements, in particular of the matters it has reserved for its own determination and those for which it has delegated authority to management. This arrangement is designed to enable the Board to provide effective, sound, and entrepreneurial leadership of the Company within Lloyds Banking Group's strategic aims and prudent and effective controls.

Stakeholder engagement is embedded in the Board's delegation of authority to the Chief Executive Scottish Widows & Group Director Insurance (Chief Executive) for the delivery of the Company's strategy and overall management of the Company's business within its defined risk appetite. The Chief Executive discharges their responsibility for the day-to-day management of the Company's business by delegating key areas of their authority to members of management and with the assistance of the Executive Committee (the Insurance Pensions & Investments Executive Committee (IP&IExCo)) which enables them to make informed decisions about the operations of the Company's business.

The Chief Executive and management both provide the Board with details of material stakeholder interaction and feedback, through a programme of business updates. Stakeholder interests are routinely identified by management in the wider proposals put before the Board.

Further details of how the Board considers each of the specific matters set out in Section 172, along with specific examples of how these considerations have influenced decisions taken by the Board, are set out in pages 6 to 8 which serves as the Company's Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

STRATEGIC REPORT (continued)

Section 172(1) Statement (continued)

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc and, as such, 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 in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2022, available on the Lloyds Banking Group website.

The relationship between the Board of the Company and the Board of Lloyds Banking Group is supported by at least one senior leader from Lloyds Banking Group serving as a Non-executive Director on the Insurance Board throughout 2022. An Independent Non-executive Director of Lloyds Banking Group plc was also welcomed as an attendee at one of the meetings of the Board during 2022. The Board of the Company also welcomed the Chief Executive Officer of Lloyds Banking Group joining one of its meetings during 2022, for a roundtable discussion of Group Strategy and the role of Insurance, Pensions & Investments within it. During 2022 a meeting of the Directors of the Company was held with the directors of fellow subsidiary company Lloyds Bank Commercial Markets plc and the Board of the ultimate shareholder, Lloyds Banking Group plc.

The views and interests of the Company's shareholders are key considerations when the Board determines the level of dividend payments as well as when approving the Company's business strategy and long-term objectives.

Communities and the environment

The Board's consideration of environmental matters is supported on environmental matters by its Sustainability Committee, the majority of whose members are independent non-executive directors. The primary purpose of this Committee is to review and recommend to the Board the Environmental, Social and Governance (ESG) Strategy of the Company in alignment with Insurance Pensions & Investments business with which the Company is a part of and Lloyds Banking Group's overarching purpose of Helping Britain Prosper. The Committee has also been responsible for overseeing the publication of the Scottish Widows Task Force on Climate Related Financial Disclosures (TCFD) Report and related regulatory expectations on disclosures. The TCFD Report can be found on the Scottish Widows website.

The Chair of the Sustainability Committee reports regularly to the Board on key matters relating to the Insurance, Pensions & Investment business sustainability strategy and activities relevant to the Company.

Climate risk

Approval of proposed external commitments in relation to climate risk that materially impact the Company or the Company's funds are matters reserved to the Board. The Sustainability Committee on behalf of the Board considers the Company's management of climate risk and relevant public disclosures, providing oversight and challenge on those activities which impact on the Company's reputation as a responsible business. Scottish Widows, a parent company, undertakes a bi-annual review of the external commitments and monitors external emerging risks across ESG (including greenwashing risk), to identify opportunities for the Company to enhance the controls it has in place to mitigate ESG risks and evolve processes to respond to change required by legal risks and marketing standards.

Board diversity

The Board considers its current size and composition to be appropriate to the Company's circumstances. The Board considers it important that great emphasis is placed on ensuring its membership reflects the diversity of modern Britain and is inclusive. On gender diversity, the Board has a specific objective to maintain membership of at least 33 per cent female Board members. At 31 December 2022, the Board's membership consisted of 33 per cent female members. The Board also meets the objectives of the Parker review for at least one Black, Asian and Minority Ethnic Board member. The Company also supports the Lloyds Banking Group high-level approach to diversity in senior management roles, which is governed in greater detail through Lloyds Banking Group policies.

STRATEGIC REPORT (continued)

Section 172(1) Statement (continued)

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 business ethics and modern slavery.

On a day-to-day basis, management of and engagement on modern slavery and human rights is guided by the Modern Slavery and Human Rights Working Group led by the Social Sustainability Manager, which meets bi-monthly to assess the embedding of human rights within the Lloyds Banking Group's operations.

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. This statement sets out the steps taken to prevent modern slavery in Lloyds Banking Group's business and supply chains.

Maintaining a reputation for high standards of business conduct

The Board supports the Chief Executive to ensure a culture of customer focus (including treating customers fairly), risk awareness and ethical behaviours. As part of the Board's oversight of this, the Board where necessary will seek assurance that management corrective action has been taken to ensure that policy and behaviours are aligned to the purpose, value, and strategy of the wider Insurance business.

On behalf of the Board of Directors

J C S Hillman

Director

30 March 2023

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company. The Company is a company limited by shares, domiciled and incorporated in England and Wales.

Results and dividend

The result for the year ended 31 December 2022 is a profit after tax of £75.0 million (2021 profit: £80.8 million). The total net assets of the Company at 31 December 2022 are £400.1 million (2021: £311.6 million).

During the year, no dividend was paid on the ordinary shares in respect of 2022 (2021: £60.0 million).

During 2022, the Company issued ordinary share capital of £13.5 million to its parent, Scottish Widows Group Limited.

Investment in subsidiaries increased by £88.5 million in the year due to a £88.5 million investment in new shares in the subsidiaries Lloyds Bank General Insurance Limited (£75 million) and Lloyds Bank Insurance Services Limited (£13.5 million).

Post balance sheet events

Further information on post balance sheet events is set out in note 17.

Directors

The names of the current Directors are listed on page 3. Changes in Directorships during the year and since the end of the year are as follows:

D L Davis	(Appointed 18 March 2022)
J S Wheway	(Appointed 1 August 2022)
J E M Curtis	(Resigned 7 October 2022)

Particulars of the Directors' emoluments are set out in note 15.

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 and its subsidiaries. Such deeds were in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Directors who join the Board of the Company during the financial year. 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 Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Disclosure of information to auditor

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 16.

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 13). Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

Disclosures relating to financial risk management are included in note 13 of the accounts and are therefore incorporated into this report by reference.

Independent auditors

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.

DIRECTORS' REPORT (continued)

Independent auditors (continued)

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 8, and the Directors' Report on pages 9 to 10 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

The Directors have also separately reviewed and approved the Strategic Report.

On behalf of the Board of Directors

J C S Hillman

Director

30 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE HOLDINGS LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Lloyds Bank General Insurance Holdings Limited (the ‘company’):

- 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 adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 17.

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

2. 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.

3. Conclusions relating to going concern

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.

4. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LLOYDS BANK GENERAL INSURANCE HOLDINGS LIMITED (continued)

5. 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.

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.

6. 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. This description forms part of our auditor's report.

7. 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, including those that are specific to the company's business sector.

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, pensions legislation, 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 including relevant internal specialists such as tax, valuations and IT and specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

A significant risk was identified surrounding the valuation of investment in subsidiaries balance. This involves a number of estimates and judgements. Specifically, the significant risk has been pinpointed to the key inputs and assumptions such as market growth rates and discount rates used within the model. We have obtained an understanding of the key controls within the reporting process for this account balance and assessed the design and implementation of these. We have worked with our valuations specialists to assess the appropriateness of the model inputs and assumptions used.

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 and internal audit 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 MEMBER OF LLOYDS BANK GENERAL INSURANCE HOLDINGS LIMITED (continued)

Report on other legal and regulatory requirements

8. 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.

9. 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.

10. 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.

Charlie Scarr, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

30 March 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Revenue			
Income from shares in subsidiary undertakings		75,000	85,000
Finance income	3	33	—
Total revenue		75,033	85,000
Expenses			
Finance costs	5	(6)	(5)
Impairment of investments in subsidiary undertakings	7	—	(4,153)
Total expenses		(6)	(4,158)
Profit before tax		75,027	80,842
Taxation charge	6	(5)	—
Profit for the year		75,022	80,842

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

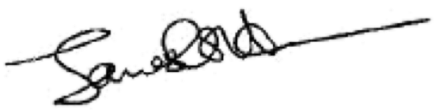
The notes set out on pages 18 to 26 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Investment in subsidiaries	7	397,649	309,149
Cash and cash equivalents	8	2,462	2,435
Total assets		400,111	311,584
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	9	44,500	31,000
Other reserves	10	302	302
Retained profits		355,304	280,282
Total equity		400,106	311,584
Liabilities			
Current tax liabilities	11	5	—
Total liabilities		5	—
Total equity and liabilities		400,111	311,584

The notes set out on pages 18 to 26 are an integral part of these financial statements.

The financial statements on pages 14 to 26 were approved by the Board on 30 March 2023 and signed on behalf of the Board:



J C S Hillman

Director

30 March 2023

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit before tax		75,027	80,842
Adjusted for:			
Finance Income	3	(33)	—
Income from shares in subsidiary undertakings		(75,000)	(85,000)
Finance costs	5	6	5
Impairment in investment in subsidiary	7	—	4,153
Taxation paid	6	—	—
Net cash flows generated from operating activities		—	—
Cash flows from investing activities			
Interest received	3	33	—
Capital injection to subsidiaries	7	(88,500)	(55,000)
Dividends and other income received		75,000	85,000
Net cash flows (used in)/generated from investing activities		(13,467)	30,000
Cash flows from financing activities			
Dividends paid	12	—	(60,000)
Interest paid	5	(6)	(5)
Issue of share capital	9	13,500	30,000
Net cash flows generated from/(used in) financing activities		13,494	(30,005)
Net increase/(decrease) in cash and cash equivalents		27	(5)
Cash and cash equivalents at the beginning of the year		2,435	2,440
Net cash and cash equivalents at the end of the year	8	2,462	2,435

The notes set out on pages 18 to 26 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital £'000	Other reserves £'000	Retained profits £'000	Total equity £'000
Balance as at 1 January 2021		1,000	302	259,440	260,742
Profit and total comprehensive income for the year		—	—	80,842	80,842
Dividend	12	—	—	(60,000)	(60,000)
Issue of share capital	9	30,000	—	—	30,000
Balance as at 31 December 2021		31,000	302	280,282	311,584
Profit and total comprehensive income for the year		—	—	75,022	75,022
Dividend	12	—	—	—	—
Issue of share capital	9	13,500	—	—	13,500
Balance as at 31 December 2022		44,500	302	355,304	400,106

The notes set out on pages 18 to 26 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Standards and interpretations effective in 2022

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 2022 which have had a material impact on the Company.

(b) Finance income

Interest income for all interest-bearing financial instruments is recognised in the Statement of Comprehensive Income as it accrues, within finance income.

(c) Finance costs

Finance costs consisting of interest expense from bank accounts held with fellow Lloyds Banking Group subsidiaries are recognised in the period to which they relate.

(d) Investment in subsidiaries

The Company owns a number of subsidiaries as set out in note 7. These subsidiaries are held initially at cost, being the fair value of the consideration given to acquire the holding, then subsequently at cost subject to impairment. Further information on the Company's impairment policy is set out at policy (f).

(e) Cash and cash equivalents

Cash and cash equivalents include investments in liquidity funds, which are short-term highly liquid investments (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).

Holdings in liquidity funds are measured at fair value through profit or loss, with income received recognised in investment income.

The fair value of holdings in liquidity funds is determined as the last published price applicable to the vehicle at the reporting date.

Holdings in liquidity funds are categorised as level 1 in the fair value hierarchy. These assets are valued using quoted prices in active markets for identical assets to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

(f) 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 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). 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.

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.

Non-financial assets

Assets that have an indefinite useful life, for example investment in subsidiaries, 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.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is charged to the relevant line in the statement of comprehensive income in the period in which it occurs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) 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 His 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

(h) 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.

(i) Dividends payable

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

2. Critical accounting judgements and key sources of estimation uncertainty

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investments

The Company uses estimates in the assessment of investment in subsidiaries for possible impairment. These include estimates used for value in use calculations relating to discount factors and growth assumptions. Further details of estimates used are given in note 7.

b. Critical judgements

Impairment of investments

The recoverable amount of investments in subsidiaries requires judgement with regard to future cash flows and risks associated with those cash flows, together with the discount rate applied. The Company has developed a tool to allow the Directors to assess impairment in line with IAS36.

3. Finance Income

	2022 £'000	2021 £'000
Interest income	33	—
Total	33	—

Interest income of £33 thousand (2021: £nil) is generated from cash held in liquidity funds.

4. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	10	3
Total	10	3

Audit fees are borne by another company within Lloyds Banking Group and recharged to a subsidiary of the Company.

5. Finance costs

	2022 £'000	2021 £'000
Interest expense	6	5
Total	6	5

All interest expense arises from accounts held with a fellow Lloyds Banking Group subsidiary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Taxation charge

(a) Current year tax charge

	2022 £'000	2021 £'000
Current tax		
UK corporation tax	5	—
Total tax charge	5	—

Corporation tax is calculated at a rate of 19 per cent (2021: 19 per cent) of the taxable profit for the year.

(b) Reconciliation of tax charge

	2022 £'000	2021 £'000
Profit before tax	75,027	80,842
Tax at 19% (2021: 19%)	14,255	15,360
Effects of:		
Non-taxable items	(14,250)	(16,150)
Disallowable expenses	—	789
Other	—	1
Total tax charge	5	—

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

7. Investment in subsidiaries

	1 January 2022 £'000	Additions £'000	Impairment £000	31 December 2022 £'000
Lloyds Bank Insurance Services Limited	53,075	13,500	—	66,575
Lloyds Bank General Insurance Limited	115,661	75,000	—	190,661
St Andrew's Insurance plc	123,800	—	—	123,800
St Andrew's Group Limited	4,400	—	—	4,400
Halifax General Insurance Services Limited	12,213	—	—	12,213
Net book value	309,149	88,500	—	397,649

	1 January 2021 £'000	Additions £'000	Impairment £000	31 December 2021 £'000
Lloyds Bank Insurance Services Limited	53,075	—	—	53,075
Lloyds Bank General Insurance Limited	90,661	25,000	—	115,661
St Andrew's Insurance plc	93,800	30,000	—	123,800
St Andrew's Group Limited	4,400	—	—	4,400
Halifax General Insurance Services Limited	16,366	—	(4,153)	12,213
Net book value	258,302	55,000	(4,153)	309,149

Investment in subsidiaries in 2022 include £75 million in Lloyds Bank General Insurance Limited and £13.5 million in Lloyds Bank Insurance Services Limited.

No impairment of investment in subsidiaries has been recognised during 2022 (2021: £4.2 million in respect of Halifax General Insurance Services Limited).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Investment in subsidiaries (continued)

Significant Estimate: Key assumptions used for value-in-use calculations

A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis. The recoverable amount for 2022 and 2021 have both been calculated on a value in use basis, using the dividend discount method of valuation. The applicable discount factor used for 2022 is 11.2 per cent (2021: 8.70 per cent). This has been applied to distributable profits and forecast dividends in line with the approved business plan. Growth assumptions and forecasts are also key assumptions utilised in production of these estimates of distributable profits and forecast dividends.

Significant Estimate: Impact of possible changes in key assumptions

If the discount rate applied to the cash flow projections had been 1 per cent higher or lower, the impairment charge would have been £nil.

The Company owned the whole of the issued ordinary share capital of the following subsidiaries during the reporting period:

Name	Class of Share	Percentage held	Country of registration or Incorporation	Nature of Business
Lloyds Bank Insurance Services Limited (i)	Ordinary	100	England	General insurance broker
Lloyds Bank General Insurance Limited (i)	Ordinary	100	England	General insurance underwriter
St Andrew's Insurance plc (ii)	Ordinary	100	England	General insurance underwriter
St Andrew's Group Limited (ii)	Ordinary	100	England	Administration of general insurance products
Halifax General Insurance Services Limited (iii)	Ordinary	100	England	General insurance broker

The year-end of all subsidiaries is 31 December and their country of incorporation and principal operations (where relevant) is the UK.

Principal Place of Business:

(i) 25 Gresham Street, London, EC2V 7HN

(ii) 33 Old Broad Street, London, EC2N 1HZ

(iii) Trinity Road, Halifax, West Yorkshire, HX1 2RG

The ability of the regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by regulatory solvency requirements as well as Companies Act distributable reserve requirements. The ability of non-regulated entities to pay cash dividends to the Company or repay loans or advances is restricted by Companies Act distributable reserve requirements.

8. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows include the following:

	2022	2021
	£'000	£'000
Investments held through liquidity funds	2,462	2,435
Total	2,462	2,435

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Share capital

	2022 £'000	2021 £'000
Issued and fully paid share capital:		
44,500,000 (2021: 31,000,000) ordinary shares of £1 each	44,500	31,000
Total	44,500	31,000

On 23 November 2022, the Company issued ordinary share capital of £13.5 million to its parent, Scottish Widows Group Limited (2021: £30.0m million).

The issued share capital of the Company has increased to £44.5 million.

10. Other reserves

	2022 £'000	2021 £'000
At 1 January and 31 December		
Capital contribution reserve	302	302
Total	302	302

Other reserves represent a capital contribution from the Company's holding company which is not repayable, but which forms part of the Company's distributable reserves.

11. Current tax liabilities

	2022 £'000	2021 £'000
Current tax liabilities	5	—
Total	5	—

12. Dividends paid

	2022 £'000	2021 £'000
Total dividends paid on equity shares	—	60,000
Total	—	60,000

Dividends of £nil were paid on the ordinary shares during the year in respect of 2022 (2021: £60 million, £60 per share)

13. Risk management

The Company is a holding company within Lloyds Banking Group and its subsidiaries provide general insurance services.

This note summarises the financial risks associated with the activities of the Company and the way in which they are managed.

The Company is exposed to financial risk through its financial assets and financial liabilities.

(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.

Investments in liquidity funds 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 2022

13. 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).

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

(i) Investment credit risk

The Company's investment policy sets rules limiting exposure to concentrations of risk as a result of aggregation of exposure to any single counterparty. Setting limits mitigates such credit risk exposure. Credit default risk is the most significant financial risk, but this is mitigated by a very cautious approach to counterparty risk.

(ii) Loans and receivables

Other loans and receivables are considered not to carry significant credit risk as they are primarily due from fellow subsidiary companies within the IP&I Division.

(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 only secure them 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 Risk Policy.

There are no assets or liabilities within the Company that are exposed to liquidity risk as at 31 December 2022 (2021: £nil).

14. Contingencies and commitments

Tax authorities

Lloyds Banking Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed Lloyds Banking Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. Lloyds Banking Group's interpretation of the UK rules has not changed and hence it has appealed to the First Tier Tax Tribunal, with a hearing expected in 2023. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the Company of approximately £317k (including interest). The Company, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

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.

15. Related party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent undertaking is Scottish Widows Group Limited, a company registered in the United Kingdom. Scottish Widows Group 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, which is the parent undertaking of the only group to consolidate these financial statements. Copies of the consolidated Annual Report and Accounts of Lloyds Banking Group may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. 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.

	2022			
	Income during period	Expenses during period	Payable at period end	Receivable at period end
	£'000	£'000	£'000	£'000
Relationship				
Parent	—	—	—	—
Subsidiary	75,000	—	—	—

	2021			
	Income during period	Expenses during period	Payable at period end	Receivable at period end
	£'000	£'000	£'000	£'000
Relationship				
Parent	—	60,000	—	—
Subsidiary	85,000	—	—	—

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 IP&IExCo members. Key management personnel, as defined by IAS 24, are employed by a management entity, transactions with this entity are as follows:

Key management compensation:

	2022	2021
	£'000	£'000
Short-term employee benefits	958	749
Post-employment benefits	4	4
Share-based payments	187	171
Total	1,149	924

Included in short term employee benefits is the aggregate amount of emoluments paid to or receivable by Directors in respect of qualifying services of £542,717 (2021: £360,442).

There were no retirement benefits accrued to directors (2021: nil) under defined benefit pension schemes. No Directors (2021: two Directors) are paying into a defined contribution scheme. There were no contributions paid to a pension scheme for qualifying services (2021: Nil).

Certain members of key management in the Company, including the highest paid director, provide services to other companies within Lloyds Banking Group. In such cases, for the purposes of this note, figures have been included based on an apportionment to the Company of the total compensation earned.

The aggregate amount of money receivable and the net value of assets received/receivable under share based incentive schemes in respect of Directors qualifying services was £123,846 (2021: £96,884). During the year, no directors exercised share options (2021: two Directors) and one Director received qualifying service shares under long term incentive schemes (2021: two Directors).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

15. Related party transactions (continued)

(b) Transactions and balances with related parties (continued)

Movements in share options are as follows:

	2022 Options	2021 Options
Outstanding at 1 January	2,207,285	2,570,046
Granted	1,199,409	535,014
Exercised	(684,086)	(327,212)
Forfeited	(616,234)	(578,331)
Dividends awarded	9,289	7,768
Outstanding at 31 December	2,115,663	2,207,285

Detail regarding the highest paid Director is as follows:

	2022 £'000	2021 £'000
Apportioned aggregate emoluments	218	205
Apportioned share-based payments	86	82

The highest paid Director did not exercise share options during the year. (2021: The highest paid Director did exercise share options during the year).

16. 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 when adopted.

17. Post balance sheet events

There are no post balance sheet events affecting the Company that require disclosure for the year ending 31 December 2022.