

# St Andrew's Group Limited

## Annual Report and Accounts **2022**

Member of Lloyds Banking Group

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**COMPANY INFORMATION****Board of Directors**

C J Thornton\*

V Lennon

V Flenk\*

\* denotes Executive Director

**Company Secretary**

G J Donaldson

**Independent Auditor**

Deloitte LLP

1 New Street Square

London

EC4A 3HQ

**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 2022.

The Company is a subsidiary of Lloyds Bank General Insurance Holdings Limited ('LBGIH') and forms part of the general insurance business unit within 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 plc and its subsidiaries (the 'Group' or 'Lloyds Banking 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's IP&I division.

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. The Company is closed to new business.

### Result for the year

The result for the year ended 31 December 2022 is a loss after tax of £4 thousand (2021: £3 thousand loss after tax) as set out in the Statement of Comprehensive Income on page 13. The increase in loss has been driven by a decrease in taxation credit, offset by a decrease in administrative expenses. The total net assets of the Company as at 31 December 2022 are £4,995 thousand (2021: £4,999 thousand restated\*).

No dividends were declared during the year in respect of 2022 (2021: £nil). The Directors do not recommend any dividends in respect of 2022.

\*See note 18 for details regarding the restatement

### 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 its customers. In line with Lloyds Banking Group's purpose of Helping Britain Prosper and a clear customer focus, Lloyds Banking Group is 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 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 ('SWG').

The full SWG TCFD report is available on the Scottish Widows website at [www.scottishwidows.co.uk/climatereport](http://www.scottishwidows.co.uk/climatereport).

### 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 13.

#### Other sources where KPIs are presented

The Company also forms part of Lloyds Banking Group's 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.

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.

**STRATEGIC REPORT (continued)****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 13.

*Financial risks*

<b>Principal Risk</b>	<b>Note</b>	<b>Description</b>
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 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 is subject to credit risk through a variety of counterparties through invested assets, cash in liquidity funds and bank accounts. 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 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 mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

*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.
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.

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 views and interests of key stakeholders, is central to the Company's strategy and informs key aspects of Board decision making. Stakeholder engagement is embedded in all aspects of 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 key 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 has Lloyds Banking Group plc as its ultimate parent company, 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 regular reviews of its governance arrangements. This enables the Board to provide effective, sound, and entrepreneurial leadership of the Company within Lloyds Banking Group's strategic guidance and effective controls.

Stakeholder engagement is embedded in the Board's delegation of authority to the Company's Chief Executive for the delivery of the Company's strategy and overall management of the Company's business within its defined risk appetite. Examples of related actions taken during the year are included within the report. 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. This enables them to make informed decisions about the operations of the Company's business.

The Chief Executive and 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.

Further details of how the Board considers each of the specific matters set out in Section 172, where relevant to the Company, along with specific examples of how these considerations have influenced decisions taken by the Board are set out in pages 6 to 7 which serves as the Directors' Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

#### **Helping Britain Prosper**

Early in 2022, Lloyds Banking Group launched its next chapter of Helping Britain Prosper. The Group recognised the need to play a role in communities, to support people from every background and help solve the biggest challenges faced by society to come up with profitable solutions that help both people and the planet. Those two big trends of inclusion and sustainability will significantly dominate the next decade and Lloyds Banking Group wishes to use its presence and scale to be a positive force in shaping the role played by finance.

Lloyds Banking Group continues to invest significantly in the development of its IP&I division, with the aim of becoming Britain's preferred financial partner for pensions and financial planning, helping to rebuild households' financial health and wellbeing and meeting more of Lloyds Banking Group's customers' financial needs, increasingly with carbon neutral investments. Further information on Lloyds Banking Group's initiatives can be found in the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2022, available on the Lloyds Banking Group website at <https://www.lloydsbankinggroup.com/investors/annual-report.html>.

#### **Shareholders**

The Company is a wholly owned subsidiary of LBGIH and is part of Lloyds Banking Group. 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 plc, ensuring that its interests as the Company's ultimate parent are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its own shareholders is included in the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2022, available on the Lloyds Banking Group website at <https://www.lloydsbankinggroup.com/investors/annual-report.html>.

#### **Community and Environment**

Building an inclusive society and supporting the transition to a low carbon economy are core to Lloyds Banking Group's strategy and purpose of Helping Britain Prosper.

The Responsible Business Committee of the Board of Lloyds Banking Group is responsible for overseeing and supporting its strategy and business plans, ensuring Lloyds Banking Group's aspirations to be a trusted, responsible business are central to the strategy and aligned with its purpose to Help Britain Prosper.

The Board considers environmental matters in its decision making, with cognisance of the IP&I division's ambition, in relation to general insurance, to be the leading UK insurer in improving the resilience of customers' lives against extreme weather caused by climate change. The Board supports the three sustainability commitments: (i) propositions to improve flood resilience; (ii) reducing carbon emissions; and (iii) advocating change internally and externally.

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

Further information on General Insurance's ambition can be found in the Scottish Widows Task Force on Climate Related Financial Disclosures ('TCFD') Report. The SWG TCFD Report can be found on the Scottish Widows website.

**Climate Risk**

The Board monitors the Company's management of climate risk, providing oversight and challenge on those activities which impact on the Company's reputation as a responsible business.

**Suppliers**

The IP&I division 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 IP&I division, of which the Company is part, relies on intra-group supplier arrangements for certain services. The Board recognises the importance of overseeing these relationships.

The advantage of being part of a larger group means there are robust processes in place to monitor and review costs with third parties who provide services to the IP&I division and, where applicable, the Company.

**Supplier Experience**

Recognising the role of suppliers in the IP&I division and in the Company's day-to-day operations, and its future ambitions, the Board undertakes regular reviews of the performance of its key external suppliers and takes into consideration supplier feedback, if relevant, on the Company's processes for potential improvement.

**Supplier Framework**

Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group's Sourcing & Supply Chain Management Policy applies to all its businesses units, divisions, and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. This ensures the most significant supplier contracts receive the approval of the Board, including those which are key in progressing strategic priorities. IP&I have also elected to further enhance some of the controls in place. The framework also ensures appropriate Executive 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 reviews of key supplier risks. In addition, there are regular (risk based) reviews of supplier adherence to in-scope Policies. Where gaps are identified, actions are agreed with the supplier to remediate.

Lloyds Banking Group remains committed to collaborating with suppliers to tackle climate change and ensure it is embedded within the strategy and governance of their organisations. Reducing suppliers' emissions is a key component of its sustainability strategy. This year saw the launch of the Lloyds Banking Group Emerald Standard which suppliers are asked to work towards to help drive progress towards a lower carbon future.

**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 & Human Trafficking Statement and Human Rights Policy Statement are published on its website and cover all its subsidiary companies, including the Company. These documents set out the steps taken to prevent modern slavery in Lloyds Banking Group's business and supply chains.

On behalf of the Board of Directors



V Flenk

Director

18 May 2023

## DIRECTORS' REPORT

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

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

### Result for the year

The result for the year ended 31 December 2022 is a loss after tax of £4 thousand (2021: £3 thousand loss after tax) as set out in the Statement of Comprehensive Income on page 13. The increase in loss has been driven by a decrease in taxation credit, offset by a decrease in administrative expenses. The total net assets of the Company as at 31 December 2022 are £4,995 thousand (2021: £4,999 thousand restated\*).

No dividends were declared during the year in respect of 2022 (2021: £nil). The Directors do not recommend any dividends in respect of 2022.

\*See note 18 for details regarding the restatement

### 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:

J M Phythian	(Resigned 23 September 2022)
M K Staples	(Resigned 31 December 2022)
S C Quinn	(Resigned 3 May 2023)
V Flenk	(Appointed 3 May 2023)
V Lennon	(Appointed 3 May 2023)

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. 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 indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered offices of the Company and 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 16.

### Engagement with suppliers, customers and others

Disclosures relating to engagement with suppliers, customers and others are included in the Strategic Report and are therefore incorporated into this report by reference.

### 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 accounts.



**DIRECTORS' REPORT (continued)****Financial risk management**

Disclosures relating to financial risk management are included in note 13 to the financial statements 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.

**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.

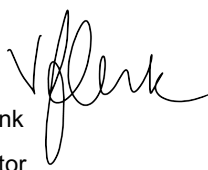
Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 7, and the Directors' Report on pages 8 and 9 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

  
V Flenk  
Director

18 May 2023

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER 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 (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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 18

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.

**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.

**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 ST ANDREW'S GROUP LIMITED (continued)****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.

**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, 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 IT 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.

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 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 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.



Charlie Scarr, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

18 May 2023

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
Administrative expenses	3	(5)	(8)
<b>Operating expenses before financing income</b>		(5)	(8)
Investment income	4	—	1
<b>Net finance income</b>		—	1
<b>Loss before tax</b>		(5)	(7)
Taxation credit	5	1	4
<b>Loss for the year and total comprehensive loss</b>		(4)	(3)

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

The notes set out on pages 17 to 27 are an integral part of these financial statements.


**BALANCE SHEET AS AT 31 DECEMBER 2022**

			Restated* 2022	Restated* 2021	Restated* 1 January 2021
	Note	£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Deferred tax assets	6	13	15	15	
Financial assets:					
Investments at fair value through profit or loss		—	—	268	
Loans and receivables at amortised cost*	7	563	2,078	1,140	
Current tax recoverable	8	3	4	1	
Cash and cash equivalents	9	10,691	8,927	7,938	
<b>Total assets</b>		<b>11,270</b>	<b>11,024</b>	<b>9,362</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves attributable to the Company's equity shareholder</b>					
Share capital	10	1,000	1,000	1,000	
Retained profits*		3,995	3,999	4,002	
<b>Total equity</b>		<b>4,995</b>	<b>4,999</b>	<b>5,002</b>	
<b>Liabilities</b>					
Other financial liabilities	11	6,275	6,025	4,360	
<b>Total liabilities</b>		<b>6,275</b>	<b>6,025</b>	<b>4,360</b>	
<b>Total equity and liabilities</b>		<b>11,270</b>	<b>11,024</b>	<b>9,362</b>	

\*See note 18 for details regarding the restatement

The notes set out on pages 17 to 27 are an integral part of these financial statements.

The financial statements on pages 13 to 27 were approved by the Board on 17 May 2023 and signed on its behalf by:

  
V Flenk  
Director  
18 May 2023

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Note</b>	<b>2022 £'000</b>	<b>2021 £'000</b>
<b>Cash flows from operating activities</b>			
Loss before tax		(5)	(7)
Adjusted for:			
Investment income and unrealised fair value movements	4	—	(1)
Net increase in operating assets and liabilities	12	1,767	729
Taxation received		2	(1)
<b>Net cash flows generated from operating activities</b>		<b>1,764</b>	<b>720</b>
<b>Cash flows from investing activities</b>			
Interest received		—	1
Receipts from sale of investment		—	268
<b>Net cash flows generated from investing activities</b>		<b>—</b>	<b>269</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,764</b>	<b>989</b>
Cash and cash equivalents at the beginning of the year		8,927	7,938
<b>Net cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>10,691</b>	<b>8,927</b>

The notes set out on pages 17 to 27 are an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Share capital £'000	Retained profits £'000	Total equity £'000
<b>Balance as at 1 January 2021 Previously reported</b>		1,000	3,766	4,766
Prior year adjustment (see note 18)	18	—	236	236
<b>Balance as at 1 January 2021 (restated*)</b>		1,000	4,002	5,002
Loss and total comprehensive expenses for the year		—	(3)	(3)
<b>Balance at 31 December 2021 (restated*)</b>		1,000	3,999	4,999
Loss and total comprehensive expenses for the year		—	(4)	(4)
<b>Balance at 31 December 2022</b>		1,000	3,995	4,995

\*See note 18 for details regarding the restatement

The notes on pages 17 to 27 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.

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

*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) 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****1. Accounting policies (continued)****(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 (unadjusted) 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 on-going 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 the 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.

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.

**(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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****1. Accounting policies (continued)****(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*

An impairment charge is recognised in the Statement of Comprehensive Income when there has been a change in expected credit loss 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.

*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.

**(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 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) Taxes (continued)***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.

**(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 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**

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 judgement has the most significant effect on the amounts recognised in the financial statements.

*Assessment of Settlement of Liabilities*

Included within Other Financial Liabilities (note 11) 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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****3. Administrative expenses**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Administration expenses	5	8
<b>Total</b>	<b>5</b>	<b>8</b>

Audit fees for 2022 (£4,000) and 2021 (£3,150) which were borne by other subsidiaries within Lloyds Banking Group. The Company had no direct employees during the year (2021: nil).

**4. Investment income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest income	—	1
<b>Total</b>	<b>—</b>	<b>1</b>

**5. Taxation credit****(a) Current year tax credit**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
UK corporation tax	(3)	(4)
<b>Total current tax credit</b>	<b>(3)</b>	<b>(4)</b>
<b>Deferred tax (note 6):</b>		
Deferred tax charge	2	—
<b>Total deferred tax charge</b>	<b>2</b>	<b>—</b>
<b>Total income tax credit</b>	<b>(1)</b>	<b>(4)</b>

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 credit**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss before tax</b>	<b>(5)</b>	<b>(7)</b>
<b>Tax credit at 19% (2021: 19%)</b>	<b>(1)</b>	<b>(1)</b>
Effects of:		
Reduction in tax rate and related impacts	—	(3)
<b>Tax credit on loss for the year</b>	<b>(1)</b>	<b>(4)</b>

The effective tax rate for the year is 19.00 per cent (2021: 57.14 per cent).

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

## 6. Deferred tax assets

	Total capital allowances £'000
At 1 January 2021	15
Statement of Comprehensive Income charge during 2021	—
At 31 December 2021	15
Statement of Comprehensive Income charge during 2022	(2)
At 31 December 2022	13

The Finance Act 2022, 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 £13 thousand has been recognised based on the expectation that the Company will be able to benefit from group relief with connected companies.

## 7. Loans and receivables at amortised cost

	2022 £'000	Restated* 2021 £'000
Amounts due from related parties*	523	1,992
Sundry debtors	40	86
<b>Total</b>	<b>563</b>	<b>2,078</b>

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

\*See note 18 for details regarding the restatement

## 8. Current tax recoverable

	2022 £'000	2021 £'000
Income tax assets	3	4
<b>Total</b>	<b>3</b>	<b>4</b>

All balances are recoverable within one year.

## 9. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	10,691	8,927
<b>Total</b>	<b>10,691</b>	<b>8,927</b>

## 10. Share capital

	2022 £'000	2021 £'000
<b>Issued and fully paid share capital:</b>		
1,000,000 (2021: 1,000,000) ordinary shares of £1 each	1,000	1,000
<b>Total</b>	<b>1,000</b>	<b>1,000</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****11. Other financial liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Amounts due to related parties	4,248	4,043
Insurance payables	2,027	1,982
<b>Total</b>	<b>6,275</b>	<b>6,025</b>

All other financial liabilities are payable within one year. Amounts due to related parties are due to St Andrew's Insurance plc.

**12. Net increase/(decrease) in operating assets and liabilities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Increase/(decrease) in loans and receivables	1,515	(938)
Increase in other financial liabilities	252	1,667
<b>Net increase in operating assets and liabilities</b>	<b>1,767</b>	<b>729</b>

**13. Risk management**

The Company is 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 financial risk 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 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 Financial Conduct Authority and fall under the EU directive on Undertakings for Collective Investment in Transferable Securities.

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.

**(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 IP&I 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.

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

## 13. Risk management (continued)

## (b) Credit risk (continued)

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 2022

	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	563	—	—	523	—	40
Cash and cash equivalents	10,691	—	—	10,691	—	—
<b>Total</b>	<b>11,254</b>	<b>—</b>	<b>—</b>	<b>11,214</b>	<b>—</b>	<b>40</b>

## As at 31 December 2021

	Total £'000	AAA £'000	AA £'000	Restated* A £'000	BBB or lower £'000	Not rated £'000
<b>Stage 1 assets</b>						
Loans and receivables at amortised cost*	2,078	—	—	1,992	—	86
Cash and cash equivalents	8,927	—	—	8,927	—	—
<b>Total</b>	<b>11,005</b>	<b>—</b>	<b>—</b>	<b>10,919</b>	<b>—</b>	<b>86</b>

\*See note 18 for details regarding the restatement

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

## (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 Policy.

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



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

## 13. Risk management (continued)

## (c) Liquidity risk (continued)

	Total £'000	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	More than 2 years £'000
<b>As at December 2022</b>					
Amounts owed to related parties	4,248	4,248	—	—	—
Insurance payables	2,027	2,027	—	—	—
<b>Total</b>	<b>6,275</b>	<b>6,275</b>	—	—	—

	Total £'000	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	More than 2 years £'000
<b>As at December 2021</b>					
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>	—	—	—

## (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:

	2022 £'000	Restated* 2021 £'000
Trade and other receivables:		
Amounts due from group undertakings*	523	1,992
Sundry debtors	40	86
Cash and cash equivalents (amounts due from financial institutions)	10,691	8,927
<b>Total</b>	<b>11,254</b>	<b>11,005</b>

\*See note 18 for details regarding the restatement

*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 IP&I Asset and Liability Committee, the Insurance, Pensions & Investments Risk Committee, ISIM and Banking and Liquidity Operating Committee.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****14. 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.

**15. Related party transactions****(a) Ultimate parent and shareholding**

The Company's immediate parent undertaking is LBGIH, 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. 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).

**(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	2022			
	Income during period	Expenses during period	Payable at period end	Receivable at period end
	£'000	£'000	£'000	£'000
Other related parties	—	—	4,248	11,214

Relationship	2021			
	Income during period	Expenses during period	Payable at period end	Restated* Receivable at period end
	£'000	£'000	£'000	£'000
Other related parties*	—	—	4,043	10,919

\*See note 18 for details regarding the restatement

**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&I Executive Committee 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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022****17. Post balance sheet events****Director Resignation**

Sean Quinn resigned from the Board as a Director on 3 May 2023.

**Director appointment**

Veronica Lennon and Victoria Flenk were appointed to the Board as Directors on 3 May 2023.

**18. Restatement of comparatives**

The comparative information reported has been restated as explained below:

	<b>Restated £'000</b>	<b>Adjustment £'000</b>	<b>Previously Reported £'000</b>
<b>Balance sheet as at 1 January 2021</b>			
<b>Assets</b>			
Loans and receivables at amortised cost	1,140	236	904
<b>Equity</b>			
Retained Profits	4,002	(236)	3,766
<b>Balance sheet as at 31 December 2021</b>			
<b>Assets</b>			
Loans and receivables at amortised cost	2,078	236	1,842
<b>Equity</b>			
Retained Profits	3,999	(236)	3,763

**Correction of error in accounting for historic write off**

Amounts due from related parties have been restated to reverse a write off of £0.2 million reported in the financial statements of the Company for the year ending 31 December 2019. The receivable was subsequently determined to represent an amount due on demand from a fellow group company that remained valid at 31 December 2019 and thereafter

The impact of this on the statement of financial position has been shown in the table above. Net assets have increased by £0.2 million for the year ending 31 December 2020 and 31 December 2021.

There has been no impact on the current year or prior year statement of comprehensive income.