BOS (SHARED APPRECIATION MORTGAGES) NO. 1 PLC
Annual report and accounts

2024

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2024

The Directors present their Strategic report for BOS (Shared Appreciation Mortgages) No. 1 plc ("the Company") for the year ended 31 December 2024.

Principal activities

The principal activity of the Company was to originate and finance mortgage lending. In 1997 the Company issued £27,200,000 fixed rate notes on the London Stock Exchange (the "Notes"). The interest payable on the Notes is set at 4.20% per annum until August 2027. Thereafter, the interest rate applicable to the Notes will be 5.20% per annum until 2072 when the Notes become due. The Notes are secured on the mortgage portfolio. The capital appreciation arising on the sale of a mortgage holder's property is shared between the mortgage holder and the Company as set out in the original loan agreements.

The activities of the Company are conducted primarily by reference to a series of transaction documents under the offering circular for BOS (Shared Appreciation Mortgages) No. 1 plc (the "Programme Documentation"). The Company is required to pay its entire share of the capital appreciation received from the borrowers to the Note holders in line with the priority of payments set out in the Programme Documentation.

Business structure

The Company is a subsidiary undertaking of Bank of Scotland plc (incorporated in Scotland) within Lloyds Banking Group ("the Group").

Business review

No new mortgage loans have been originated and no new loan notes have been issued by the Company since 1997.

The loss for the financial year amounted to £14,412 (2023: loss of £3,316). Total equity at 31 December 2024 amounted to £833,418 (2023: £847,830).

The Company has recognised a marginally higher loss during the current year than during the prior year. This can be principally attributed to a combination of higher operating expenses in the current year of £49,854 (2023: £15,738), offset by higher net interest income of £86,814 (2023: £82,031) and reduced net fair value losses of £56,325 (2023: £70,678).

The Company has recognised net fair value losses during the year mainly due to a change in the fair valuation of its mortgage portfolio and the Notes, which has been driven by updated model assumptions, These updated assumptions included indexed movements in the Halifax House Price Index ("HPI") and its forecast updates, the discount rate was also updated based on Bank of England base rate forecasts and the average age of customers was updated based on mortality table rates, amongst other adjustments.

The mortgage portfolio is subject to the economic factors relating to the housing market (see "Credit risk" below). These factors did not have any significant bearing on the Company's arrears levels (see note 14.1). The net interest income is determined by a margin earned between the interest received on the mortgage portfolio and the interest paid to the Note holders.

Litigation

In January 2021, a litigation claim was brought by, or on behalf of, a number of customers against Bank of Scotland plc and some of its subsidiary undertakings which had issued shared appreciation mortgages, including the Company. The claim was issued in the County Court and was brought under the unfair relationship provisions of the Consumer Credit Act 1974. On 23 January 2024, the Claimants and Bank of Scotland plc (and the other Defendants, including the Company) agreed a commercial settlement of this litigation, without any admission of liability. The terms of the settlement agreement are confidential. There are no changes to the mortgages, or their terms and conditions. Following the settlement in January 2024, the Directors have concluded that no provision is required against this claim in the Company's financial statements as Bank of Scotland plc has borne the costs of this settlement. Should further claims arise, the directors have considered the contractual arrangements between the Bank of Scotland and the Company and that Bank of Scotland plc can meet any associated costs or liabilities (if any) which may become due. No reimbursement will be made to the Bank of Scotland for such costs or liabilities. Since the settlement on 23 January 2024, the Company has received a number of new pre-action claims.

Key performance indicators

There is a board meeting held quarterly that is responsible for assessing the risk of irregularities, whether caused by fraud or error in financial reporting, and ensuring that processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. This meeting analyses and discusses the trends for the quarter and identifies any issues or required changes. Any such issues are then reported, further discussed, and collectively agreed. There were no significant issues impacting the Company in the current or previous year.

The key performance indicators used by management in assessing the performance of the Company are the monitoring of the fair value movement and the mortgage redemptions during the year, together with the trigger event around the credit rating of the Company's bank account provider. These have been identified by management as key drivers in the performance of the Company. More details for the fair value movement is in note 5 and details for the redemptions are in note 9.

The Company has made all necessary payments on the Notes in accordance with the scheduled repayment dates for the years ended 31 December 2024 and 31 December 2023.

Key performance indicators (continued)

KPI	2024	2023	Analysis
Mortgage Fair value movement (£)	**465,262**	608,123	The fair value gains in both years are predominantly from increases in the indexed valuation of the properties the mortgage loans are secured upon during the year. The current year fair value gains are lower from a combination of factors around the assumptions used in the model valuation, with the most significant being that the average age mix of the customers has remained relatively static year on year due to more older customers passing on in the current year.
Mortgage redemptions (£)	**(1,443,371)**	(843,802)	Increase in redemptions from 2023 is in line with expectations as the average age of the customer increases year on year, which in turn increases mortality rates of customers and redemption activity. However, movements on redemptions are erratic, and can depend on other factors than just mortality rates, in turn influencing when a customer sell their home.
Bank of Scotland plc - credit rating	**A-1**	A-1	The Programme Documentation stipulates that the bank account provider must have a minimum S&P credit rating of A-1. Bank of Scotland plc, the bank account provider, has held a short-term rating at the minimum level throughout the current year and previous year.

Future outlook

The Company's balance sheet will continue to reduce over the life of the mortgages issued as the Company has not issued any further advances since 1997 and there is no intention to issue new business in the future.

Cash will continue to be received from mortgage redemptions and interest income generated from the mortgage portfolio. The mortgage loans are lifetime mortgages and will remain on balance sheet until the last customer has redeemed its loan advance. However, as appreciation depends on housing prices, there is an element of uncertainty about how much appreciation share will be received.

Economic environment

The current financial year continues to have economic uncertainty arising from geopolitical tensions in Ukraine and the Middle East,, together with the ongoing climate emergency.

The Directors' assessment suggests that performance of the mortgage portfolio should continue to be satisfactory. Whilst inflationary pressures have eased compared to the previous year, sustained high interest rates and higher prices caused by sterling weakness continue to put pressure on household incomes.

Despite this, it is expected that there will be limited impact on mortgage holders' ability to service their loans as the mortgage loans. There has been no material impact on the Company as of the Strategic report date. The situation will continue to be monitored and the Servicer, Bank of Scotland plc, will continue to adopt appropriate forbearance measures on behalf of the Company.

Principal risks and uncertainties

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with International Financial Reporting Standards ("IFRS") 9 "Financial Instruments". The Company's financial instruments comprise a mortgage portfolio with an embedded derivative (Financial assets held at fair value through profit or loss ("Financial assets at FVTPL")), cash liquid resources, interest-bearing loan notes with an embedded derivative (Financial liabilities designated at fair value through profit or loss ("Financial liabilities at FVTPL")) and various other receivables and payables that arise directly from its operations.

The Company's policy is that no trading in financial instruments is undertaken.

The principal risks arising from the Company's financial instruments are credit risk, market risk, including other price risk and interest rate risk, and, liquidity risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company on its financial instruments is provided in note 14.

Credit risk

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on the underlying UK residential properties. The performance of these loans is therefore influenced by the economic background and the UK housing market; however, with a maximum loan-to-value of the original advances being 75.00% and with the mortgage portfolio having a weighted average current loan-to-value of 13.07% at 31 December 2024 (2023: 13.68%), the credit exposure is considered to be low as the value is payable on the earlier of death of the customer or the sale of the property. The monthly interest is considered a low credit risk as it is a short term receivable.

Principal risks and uncertainties (continued)

Credit risk (continued)

The terms of the mortgage portfolio agreement given by Bank of Scotland plc in respect of the mortgages require Bank of Scotland plc to repurchase any mortgage which is found to be in breach of warranty; however, there is a clause in the agreement that allows the trustees to retain ownership if they choose. Bank of Scotland plc will repurchase any mortgages that are found or held not to be valid, binding and enforceable. There have been no such repurchases in the current year or the previous year. In such an event the total value of the outstanding loan and any accrued interest will be covered by Bank of Scotland plc, the Note holders will not receive the benefit of any future payments of appreciation amounts or partial repayment of appreciation amounts in respect of the mortgages repurchased.

Market risk

Market risk is the risk of financial losses to the Company from factors related to the market in which it operates. The Company's market is the UK residential housing market. The key risks related to this market are other price risk and interest rate risk.

Other price risk

Under the terms of the Notes the Company is obligated to pay the Note holders the return on the shared appreciation that has accrued during the life of the mortgage loan at the rate implicit in the specific mortgage loan agreement as and when repaid by the mortgage loan customer. Shared appreciation is subject to the movement in the market value of the property which is dependent upon house price inflation, as measured by the Halifax House Price Index ("HPI").

However, the Company itself is not impacted by price risk as the risk of returns on the Notes being below initial expectations lies with the Note holder and there are no guarantees within the terms of the Notes for expected increases in value.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at a different time. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar.

Liquidity risk

All liabilities of the Company with the exception of the Notes are paid from receipts of funds earned on its bank deposits and the letter of credit issued by Bank of Scotland plc.

The Company has an unconditional and irrevocable 364-day revolving letter of credit provided by Bank of Scotland plc and UBS. The letter of credit is for a maximum aggregate principal amount of £890,000 to assist the Company should it not be able to meet its obligations under the Notes. This agreement expires the earlier of the Notes being redeemed in full or the last business day falling in August 2072. The reliance on this facility is therefore dependent upon the creditworthiness of Bank of Scotland plc, which currently has a short-term rating from Standard and Poor's (S&P) of A-1 (2023: S&P short-term rating: A-1).

The Company has not drawn on the letter of credit since inception.

The extent to which the Company can meet its obligations to pay interest and ultimately repay the Notes will be dependent upon the receipt of funds earned on the mortgage portfolio and the letter of credit issued by Bank of Scotland plc. To the extent that this income does not provide sufficient funds to cover the interest due on the Notes or the repayment of the Note principal, the Note holders have no claim on the assets of Bank of Scotland plc.

In accordance with the Programme Documentation the Company is obligated to make payments to meet third party expenses. To mitigate this risk the Directors hold quarterly board meetings to review the performance of the Company and ensure that the Company is in a position to meet all necessary payments.

Operational risk

Bank of Scotland plc has been appointed to act as account bank and servicer of the mortgage book on behalf of the Company. The Company uses Bank of New York Mellon to provide all corporate services in respect of the Notes in issue.

The Company is exposed to the risk of failure to comply with changes to applicable statutory and regulatory requirements. To mitigate such risks the Company undertakes systematic horizon scanning to identify and ensure compliance with any future changes.

Section 172(1) of the Companies Act 2006

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 December 2024, the Directors provide the following statement to confirm that they have had regard to the matters set out in Section 172(1) of the Act, when performing their duty to promote the success of the Company under Section 172(1).

The Company is a wholly owned subsidiary of Bank of Scotland plc, within the Group. Consequently the Directors further acknowledge that the activities taken with regard to the Company's strategy have been closely aligned to that of the Group, which is to achieve both long-term and sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. Further information on the Group's strategy around Section 172(1) can be found in the Lloyds Banking Group plc annual report and financial statements for 2024 on pages 40 to 41. Further details of how to obtain access to the Lloyds Banking Group plc annual report and financial statements for 2024 can be found in note 19.

Further, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors also confirm that they have both engaged with and had regard to the interest of key stakeholders, in their duties as directors of the Company.

Key stakeholders

The Directors confirm that there has been regular engagement with all key stakeholders of the Company, as well as confirm that they have treated all key stakeholders fairly in their activities, to ensure that there has been appropriate use of knowledge and expertise when making business decisions around the long-term strategy of the Company and its activities during the year. For example key Group business and functional service providers are represented and provide expert advice at Board meetings of the Company; holders of the Company's notes receive regular information in relation to cash flows due; and customers of the Company receive contact, engagement and support consistent with that provided to other customers of the wider Group.

Customers and clients

The Directors have ensured that the Company, as part of the Group, continues to work towards the Group's strategy for treating all customers fairly. To ensure the Directors truly understand the needs of their customers, every opportunity has been taken to consider direct customer feedback and related management information as part of the Directors' strategic decision-making process. The Directors have worked to ensure the business of the Company is undertaken in line with the objectives of the Group, with the Directors regularly reviewing customer complaints to understand areas where improvements can be made. The Group regularly benchmarks amongst its customers the performance of itself and its subsidiaries, including the Company, and uses this insight along with a range of internal and external research to ensure ongoing improvement in customer experience.

Regulators and government

The Company and its directors are satisfied that there is a strong, open and transparent relationship with relevant regulators and other authorities and liaise regularly as part of the Group to ensure the business is aligned to the evolving regulatory framework. Key areas of focus have included ensuring robust prudential standards and supervision arrangements are in place, ensuring the fair treatment of customers, adapting to changes in regulatory requirements, recovery, and resolution for the UK's withdrawal from the European Union.

The approach of the Group, including that of the Company, to managing regulatory change is discussed further on pages 14 to 15, plus page 154 of the Lloyds Banking Group plc annual report and financial statements for 2024.

Society and the environment

The Directors acknowledge that they have performed all of their duties as directors in accordance with the strategy of the Group around the Company's impact on its society and the environment, through engagement with representatives of the wider Group's mortgages business. Further details can be found within the Lloyds Banking Group plc annual report and financial statements for 2024.

As approved by the board of directors and signed on behalf of the board:

Tanya Foxe

Tanya Marie Foxe
Director

DATE: 25 April 2025

Directors' report

For the year ended 31 December 2024

The Directors present their annual report and audited financial statements for the Company for the year ended 31 December 2024.

General information

The Company is a public limited company, limited by shares, incorporated, registered and domiciled in England and Wales (registered number: 03110558).

Registered office

The Company's registered office is Trinity Road, Halifax, HX1 2RG.

Company Secretary

The Company secretary is Alyson Elizabeth Mulholland.

Employees

The Company had no employees during the year ended 31 December 2024 (2023: nil). None of the Directors received any emoluments from the Company in the current or previous year.

Dividends

No dividends were paid or proposed during the year ended 31 December 2024 (2023: £nil).

Events after the Balance sheet date

There are no events after the Balance sheet date requiring disclosure in these financial statements.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the note 1 to the financial statements.

Corporate governance

The Directors have been charged with governance in accordance with the Programme Documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned with their roles strictly governed by the Programme Documentation.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 Audit Committees and 7.2 Corporate Governance statements (save for the rule DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the Directors. The Directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

From the perspective of the Company, the daily operational internal controls and risk management systems are integrated with those of Lloyds Banking Group plc, the Company's ultimate controlling party. Therefore additional information may be found in section "Internal Control" of the 2024 Annual Report of Lloyds Banking Group plc, which does not form part of this report. Details of where to get access to the 2024 Annual Report of Lloyds Banking Group plc can be found in note 19.

Information included in the Strategic report

The disclosures for Future outlook, Principal risks and uncertainties and Key performance indicators can be found in the Strategic report on pages 1 to 4.

Streamlined energy and carbon reporting ("SECR")

The Company has taken an exemption from SECR, in its own Directors' Report as it is included within the Group SECR report given in the Lloyds Banking Group plc annual report and accounts for 2024, available on the Lloyds Banking Group plc website, details of which can be found in note 19. Due to the nature of the Company the Directors are of the opinion that climate change has a negligible impact.

Directors

The current directors of the Company are shown below:

Tanya Marie Foxe	(appointed 12 September 2024)
Carolyne Emily Gregory	(appointed 13 June 2024)
Johan Robin Charles Von Schmidt Auf Altenstadt	(resigned 13 June 2024)
Lavanya Menon	(resigned 11 September 2024)

None of the Directors has any beneficial interest in the ordinary share capital of the Company. None of the Directors has any interest in any material contract or arrangement with the Company either during or at the end of the year (2023: none).

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was 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 joined the board 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 deed on indemnity during that period of service. The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc, details of which can be found in note 19. In addition the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company's financial statements in accordance with 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 these financial statements, the Directors are required to:

- properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in international accounting standards in conformity with the requirements of the Companies Act 2006 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

They 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.

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

Directors' report (continued)

For the year ended 31 December 2024

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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 section 418(2) of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, has expressed its willingness to continue in office and pursuant to section 489 of the Companies Act 2006, a resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Deloitte LLP as the auditor of the Company.

As approved by the board of directors and signed on behalf of board by:

Tanya Foxe

Tanya Marie Foxe
Director
DATE: 25 April 2025

Statement of comprehensive income

For the year ended 31 December 2024

	Note	2024	2023
		£	£
Interest receivable and similar income		**32,825**	21,732
Net interest income on financial assets and liabilities at fair value through profit or loss	4	**53,989**	60,299
Net interest income		**86,814**	82,031
Net fair value movements on financial assets at fair value through profit or loss	5	**(978,109)**	(235,679)
Net fair value movements on financial liabilities at fair value through profit or loss	5	**921,784**	165,001
Other operating income		**150**	50
Operating expenses	6	**(49,854)**	(15,738)
Loss before tax		**(19,215)**	(4,335)
Taxation	7	**4,803**	1,019
Loss for the financial year, being total comprehensive expense		**(14,412)**	(3,316)

The Company operates in a single business segment and all of the Company's activities are in the UK.

The accompanying notes are an integral part of the financial statements.

Balance sheet

As at 31 December 2024

	Note	2024	2023
		£	£
Assets			
Cash and cash equivalents	8	**1,001,158**	471,022
Trade and other receivables		**57,263**	44,779
Financial assets held at fair value through profit or loss	9	**9,687,449**	10,665,558
Total assets		**10,745,870**	11,181,359
Liabilities			
Bank overdraft	8	**40**	434
Trade and other payables	10	**511,209**	-
Financial liabilities designated at fair value through profit or loss	11	**9,379,098**	10,300,882
Current tax liability		**1,923**	5,304
Deferred tax liability	12	**20,182**	26,909
Total liabilities		**9,912,452**	10,333,529
Equity			
Share capital	13	**50,001**	50,001
Retained earnings		**783,417**	797,829
Total equity		**833,418**	847,830
Total liabilities and equity		**10,745,870**	11,181,359

The accompanying notes are an integral part of the financial statements.

The financial statements were approved by the board of directors on 25 April 2025 and were signed on behalf of the board by

Tanya Foxe

Tanya Marie Foxe
Director
DATE: 25 April 2025

Statement of changes in equity

For the year ended 31 December 2024

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2024	**50,001**	**797,829**	**847,830**
Loss for the year, being total comprehensive expense	**–**	**(14,412)**	**(14,412)**
Balance at 31 December 2024	**50,001**	**783,417**	**833,418**

	Share capital £	Retained earnings £	Total equity £
Balance at 1 January 2023	50,001	801,145	851,146
Loss for the year, being total comprehensive expense	–	(3,316)	(3,316)
Balance at 31 December 2023	50,001	797,829	847,830

The accompanying notes are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2024

	Note	2024 £	2023 £
Cash flows from operating activities			
Loss before tax		**(19,215)**	(4,335)
Adjustments for:			
Interest receivable and similar income		**(32,825)**	(21,732)
Net interest income on financial assets and liabilities at fair value through profit or loss	4	**(53,989)**	(60,299)
Net fair value movements on financial assets at fair value through profit or loss	9	**(465,262)**	(608,123)
Net fair value movements on financial liabilities at fair value through profit or loss	11	**50,416**	679,598
		(520,875)	(14,891)
Changes in operating assets and liabilities:			
Net increase in Trade and other receivables		**(12,484)**	(44,779)
Net increase/(decrease) in Trade and other payables	10	**511,209**	(25,260)
Cash used in operations		**(22,150)**	(84,930)
Tax paid		**(5,304)**	—
Net cash flows used in operating activities		**(27,454)**	(84,930)
Cash flows from investing activities			
Repayment on mortgage portfolio	9	**392,500**	239,750
Shared appreciation rights received	9	**1,050,871**	604,052
Income earned on mortgage portfolio	4	**199,565**	220,419
Bank interest received		**32,825**	21,732
Net cash flows generated from investing activities		**1,675,761**	1,085,953
Cash flows from financing activities			
Repayment of borrowings	11	**(249,152)**	(239,632)
Shared appreciation rights paid to Note holders	11	**(721,616)**	(604,112)
Interest paid on borrowings		**(147,009)**	(160,975)
Net cash flows used in financing activities		**(1,117,777)**	(1,004,719)
Net increase/(decrease) in Cash and cash equivalents		**530,530**	(3,696)
Cash and cash equivalents at start of year		**470,588**	474,284
Cash and cash equivalents at end of year		**1,001,118**	470,588
Cash and cash equivalents per the Cash flow statement comprise:			
Cash at bank		**1,001,158**	471,022
Bank overdraft		**(40)**	(434)
Cash and cash equivalents	8	**1,001,118**	470,588

The Cash flow statement has been presented using the indirect method.

The accompanying notes are an integral part of the financial statements.

Note 1. Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are presented in Sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis (except for financial assets and financial liabilities classified and measured at fair value through profit or loss ("FVTPL") in accordance with IFRS 9).

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

The following new IFRS pronouncements are relevant to the Company and have been adopted within these financial statements. However, the adoption of these pronouncements did not have a material impact.

The IASB has issued a number of minor amendments to IFRS Accounting Standards effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non current liabilities with covenants, and IAS 1 Classification of liabilities as current or non current. These amendments do not have a significant impact on the Company.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2024 and which have not been applied in preparing these financial statements are given in note 18.

As at 31 December 2024, the Company is showing a net assets position in the financial statements. The Company has continued to perform in line with the Programme Documentation. There are certain items included in the Programme Documentation as referred to in the annual report and financial statements in KPIs (Strategic Report) and explained in the note on Management of risk. In the course of their regular monitoring of these KPIs and review of risk, the Directors are confident that these will have no issues for the period of at least twelve months from when the financial statements are authorised for issue, despite the current adverse environment. The Directors have also considered the credit enhancement features of the transaction, in terms of the mortgage portfolio agreement (revolving letter of credit) given by Bank of Scotland plc (see note 14.1), together with the limited recourse nature of the issued notes.

The Directors are satisfied that the Company will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis, taking into account:

- There is a net asset position of £833,418 (2023: £847,830).
- The Company has continued to perform in line with the Programme Documentation.
- The Company will continue to be able to repay its liabilities as they fall due through its liquid assets and/or its ability to drawdown on additional funding available.
- The credit enhancement features of the transaction and the limited recourse nature of the issued notes.
- The bank account provider, Bank of Scotland plc, has maintained a minimum S&P credit rating of A-1, which is required per the Programme Documentation.
- The early redemption threshold of 20% has been reached, however, the Company has no intention of exercising the early redemption within the next 12 months.

Note 2. Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

Note 2.1 Interest receivable and interest payable

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes interest earned on the financial asset and is included in the 'Net fair value movements on financial assets and liabilities at fair value through profit or loss' line item.

Bank interest income is recognised in the period in which it is earned.

Note 2.2 Fees and commissions

Fees and commissions receivable relate to incremental fees received on redemption for the continuing servicing of the mortgage portfolio and are recognised when the mortgage loan has been settled.

Note 2.3 Financial instruments

The Company's financial instruments comprise a mortgage portfolio with an embedded derivative, cash liquid resources, interest-bearing loan notes with an embedded derivative and various other receivables and payables that arise directly from its operations.

Note 2. Material accounting policies (continued)

Note 2.3 Financial instruments (continued)

Note 2.3.1 Cash and cash equivalents

The Company holds bank accounts with Bank of Scotland plc, its parent. These accounts are held in the Company's name and meet the definition of cash and cash equivalents. The use of certain accounts is restricted by a detailed priority of payments set out in the Programme Documentation. As the cash and Bank overdrafts can only be used to meet certain specific liabilities and are not available to be used with discretion, it is viewed as restricted cash.

These bank accounts are classified as financial assets held at amortised cost in accordance with IFRS 9 and income is recognised using the effective interest method.

For the purpose of the Balance sheet and Cash flow statement, Cash and cash equivalents includes bank balances with an original maturity of less than three months and Bank overdrafts.

Note 2.3.2 Lifetime Mortgage portfolio

The Company has a lifetime mortgage portfolio. The contract for these loans contains a share appreciation receivable clause where the customer has to share any appreciation in the property value with the company as per an agreed rate. The shared appreciation receivable is considered as an embedded derivative, however, the Company has made an accounting policy choice to not un-bundle the contract and to account for the whole amount of the lifetime mortgage (including both the shared appreciation receivable (embedded derivative) and the loan (host contract)), as one instrument and to recognise this at fair value on origination and subsequent measurements.

Note 2.3.3 Embedded derivatives

Certain derivatives are embedded within other non-derivative host financial instruments to create a hybrid instrument. The economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics and risks of the host instrument. The hybrid instrument is measured at fair value, and the embedded derivative is not separated from the host instrument with changes in fair value of the embedded derivative recognised in the Statement of comprehensive income in accordance with IFRS 9.

The capital appreciation arising on the sale of a mortgage holder's property is shared between the mortgage holder and the Company as set out in the original loan agreement. The Company pays its entire share of the appreciation to the Note holders.

The economic characteristics and risks of the shared appreciation rights receivable and payable are viewed as being closely related to those arising on the mortgages and Notes, respectively. There is uncertainty regarding the timing of any future shared appreciation, and therefore the shared appreciation rights receivable and payable have been valued with the mortgages and Notes at fair value through profit or loss using discounted cash flow valuation techniques. Further details can be found in note 3.2 below.

Note 2.3.4 Interest-bearing loan notes

The Company's interest-bearing loan notes comprise mortgage-backed fixed rate notes (the "Notes") that have been issued in the UK market.

The Notes are considered a lifetime liability with a legal maturity of 2072, and the terms of the Notes closely aligned to the terms of the mortgage portfolio which have the same maturity date and on which the Notes are secured upon. The Notes contain a share appreciation payable clause whereby the Note holders receive all the share appreciation receivable that the Company receives from the customers on its mortgage portfolio. The share appreciation payable in the contract of the Notes is considered as an embedded derivative and the Company has elected to not un-bundle the contract and embedded derivative of the Notes, but to treat them as one instrument and to recognise this at fair value on origination and subsequent measurements.

Note 2.4 Taxation

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 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.

Note 2. Material accounting policies (continued)

Note 2.4 Taxation (continued)

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 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.

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS 12 'Income Taxes'.

Note 2.5 Capital management

The Company is not subject to externally imposed capital requirements in the current and prior year, except for the minimum requirement under Companies Act 2006. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the Directors, to support the transactions and level of business undertaken by the Company.

Note 3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of estimates. These judgements and estimates are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors.

The following are considered the most critical judgements and estimates made by the Directors in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Note 3.1 Critical accounting judgements

Litigation

In January 2021, a litigation claim was brought by, or on behalf of, a number of customers against Bank of Scotland plc and some of its subsidiary undertakings which had issued shared appreciation mortgages, including the Company. The claim was issued in the County Court and was brought under the unfair relationship provisions of the Consumer Credit Act 1974. On 23 January 2024, the Claimants and Bank of Scotland plc (and the other Defendants, including the Company) agreed a commercial settlement of this litigation, without any admission of liability. The terms of the settlement agreement are confidential. There are no changes to the mortgages, or their terms and conditions. Following the settlement in January 2024, the Directors have concluded that no provision is required against this claim in the Company's financial statements as Bank of Scotland plc has borne the costs of this settlement. Should further claims arise, the directors have considered the contractual arrangements between the Bank of Scotland and the Company and that Bank of Scotland plc can meet any associated costs or liabilities (if any) which may become due. No reimbursement will be made to the Bank of Scotland for such costs or liabilities. Since the settlement on 23 January 2024, the Company has received a number of new pre-action claims.

Taking this into account the Directors have used their judgement and considered any implication of the last settled claim by assessing the likelihood of various legal outcomes and the impact such would have on the Company's assets and liabilities, the outcome of which are discussed in more detail per note 3.2 below.

Note 3.2 Key sources of estimation uncertainty

Fair value of financial assets and financial liabilities

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty.

The fair values of the embedded derivative and the host contract have been calculated by discounting expected cash flows at an appropriate market rate for a regular standard variable mortgage product. In addition, the fair value includes an estimate of future HPI growth using the Group's own economic growth assumptions, together with an estimated dilapidation rate which has been determined based upon actual impact to date from previous redemption activity.

Note 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Note 3.2 Key sources of estimation uncertainty (continued)

Fair value of financial assets and financial liabilities (continued)

The fair value calculation also factors in mortality rates which are used by the Group's insurance division and sourced from industry-wide metrics. The embedded derivative and the host contract are therefore reported within Financial assets at FVTPL and Financial liabilities at FVTPL, respectively, for the mortgage assets and the Note liabilities. Further information on the accounting policies are discussed in notes 2.3.2 and 2.3.3.

The shared appreciation clauses within the lifetime mortgage portfolio and the Notes have not been valued because they are not separated from the host contract. There are no other derivative financial instruments.

The table below shows the impact on the Company's financial instruments carried at fair value from a decrease ('favourable') or increase ('unfavourable') of 1% in the dilapidation rate of 20.85% (2023: 21%):

	Favourable	**Unfavourable**	Favourable	Unfavourable
	2024	**2024**	2023	2023
	£	**£**	£	£
Financial assets held at fair value through profit or loss	**115,160**	**(115,160)**	126,037	(126,037)
Financial liabilities designated at fair value through profit or loss	**(115,160)**	**115,160**	(126,037)	126,037

The Company uses forecasts produced by the Group for the projected HPI growth when estimating the discounted cash flows expected over the life of the mortgage loans and the Notes, for the appreciation rights in the embedded derivative of the mortgage assets and the Note liabilities. At 31 December 2024, the HPI forecast estimated a increase of 2.1% in house prices in the first 12 months to 31 December 2025, followed by increases in house prices of between 1.0% and 2.9% over the estimated life over the estimated life of the mortgage loans and the Notes after 2025.

The table below shows the impact on the Company's financial instruments carried at fair value from an increase ('favourable') or decrease ('unfavourable') in the HPI forecast rates by 1% (2023: 1%):

	Favourable	**Unfavourable**	Favourable	Unfavourable
	2024	**2024**	2023	2023
	£	**£**	£	£
Financial assets held at fair value through profit or loss	**614,116**	**(565,754)**	683,621	(629,660)
Financial liabilities designated at fair value through profit or loss	**(614,116)**	**565,754**	(683,621)	629,660

The Company discounts the expected cash flows by using the Group's economic forecast for the Bank of England base rate, and applies the standard variable rate margin that Halifax branded mortgages add to any variable rate mortgage. The current Bank of England base rate was 4.75% at 31 December 2024 and the forecast used had rates ranging from between 4.75% to 3.50%. The discount rate used, including the margin, ranges from 8.24% to 6.99% over the estimated life of the mortgage loans and Notes.

The table below shows the impact on the Company's financial instruments carried at fair value from an decrease ('favourable') or increase ('unfavourable') in the discount factor forecast rates by 1% (2023: 1%):

	Favourable	**Unfavourable**	Favourable	Unfavourable
	2024	**2024**	2023	2023
	£	**£**	£	£
Financial assets held at fair value through profit or loss	**672,835**	**(613,211)**	748,426	(681,621)
Financial liabilities designated at fair value through profit or loss	**(657,797)**	**599,270**	(730,953)	665,385

Note 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Note 3.2 Key sources of estimation uncertainty (continued)

Fair value of financial assets and financial liabilities (continued)

The average age of the customers at 31 December 2024 was 87 years (2023: 86 years). The table below shows the impact on the Company's financial instruments carried at fair value from an increase ('favourable') or decrease ('unfavourable') in the mortality rate by changing the average age by 1 year (2023: 1 year):

	Favourable 2024 £	**Unfavourable 2024 £**	Favourable 2023 £	Unfavourable 2023 £
Financial assets held at fair value through profit or loss	**127,779**	**(131,186)**	71,115	(73,997)
Financial liabilities designated at fair value through profit or loss	**(132,837)**	**136,230**	(77,705)	80,600

As discussed in note 3.1, the Directors have used their judgement and considered the wider implication of the last litigation claim by assessing the likelihood of various legal outcomes and the impact such would have on the Company's assets and liabilities valued at fair value through profit or loss. The table below shows the impact on the Company's financial instruments carried at fair value from a decrease ('favourable') or increase ('unfavourable) of 1% (2023: 1%) in the probability of there being a litigation claim in the future:

	Favourable 2024 £	**Unfavourable 2024 £**	Favourable 2023 £	Unfavourable 2023 £
Financial assets held at fair value through profit or loss	**34,354**	**(34,354)**	34,404	(34,404)
Financial liabilities designated at fair value through profit or loss	**(34,354)**	**34,354**	(34,404)	34,404

Fair value assessment of litigation

The Directors have considered the impact of the recent legal action which the Company was subject to, as discussed in note 3.1 above, on the carrying amounts of the Company's mortgage assets which are classified as financial assets measured at FVTPL. The Company has carried out a probability-based assessment for a variety of potential legal outcomes and determined, as part of this assessment, that the fair value of these mortgage assets has a carrying amount of £9,687,449 at 31 December 2024 (2023: £10,665,558). The Company has loan notes in issue that are classified as financial liabilities measured at FVTPL. The fair value of these loan notes in issue is intrinsically linked to the fair value of the mortgage assets. Accordingly, based on this assessment, the Company has determined that the fair value of the loan notes in issue has a carrying amount of £9,379,098 at 31 December 2024 (2023: £10,300,882). This assessment has had £nil impact on the Company's result for either the current year or the previous year.

Note 4. Net interest income on financial assets and liabilities at fair value through profit or loss

	2024 £	2023 £
Interest receivable on Financial assets at FVTPL	**199,565**	220,419
Interest payable on Financial liabilities FVTPL	**(145,576)**	(160,120)
	53,989	60,299

Note 5. Net fair value movements on financial assets and liabilities at fair value through profit or loss

	2024 £	2023 £
Fair value movement on Financial assets at FVTPL	**(978,109)**	(235,679)
Fair value movement on Financial liabilities at FVTPL	**921,784**	165,001
	(56,325)	(70,678)

Note 5. Net fair value movements on financial assets and liabilities at fair value through profit or loss (continued)

Included in the fair value movement on Financial assets at FVTPL are unrealised gains of £453,849 (2023: unrealised gains of £608,123) and included in the fair value movement on Financial liabilities at FVTPL are unrealised losses of £39,002 (2023: unrealised losses of £679,598). These relate to fair value movements impacted by changes in the assumptions during the year. Further details on these underlying assumptions and their sensitivities can be found in note 3.2.

During the current year, customers' average age estimate changed which impacted the mortality rate used in the model. The effect of this change resulted in an increase in fair value of £7,661. The amount of the effect for future periods is impractical to assess.

Note 6. Operating expenses

	2024	2023
	£	£
Intercompany fees	**7,466**	8,571
Administration fees	**5,700**	8,867
Audit fees	**36,688**	37,636
Release of accrued liabilities	**—**	(39,336)
	49,854	15,738

Audit fees relate to the statutory audit. Fees of £30,573 (2023: £31,363), net of VAT, are payable to Deloitte LLP with respect to the current year. There are no fees payable to the auditors and their associates for services other than the statutory audit (2023: none).

The release of accrued liabilities in the previous year relates to fees accrued for the statutory audits relating to the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020. The fees were paid on the Company's behalf by an intermediate parent, Lloyds Bank plc. However, Lloyds Bank plc confirmed there was no obligation to repay this balance.

The Company has no employees (2023: none). The Directors are employed by other companies within the Group and none of the Directors received any emoluments from the Company in the current or previous year.

Note 7. Taxation

Note 7.1 Analysis of tax credit for the year

	2024	2023
	£	£
UK corporation tax		
Current tax on taxable profit for the year	**(1,923)**	(5,304)
Current tax expense for the year	**(1,923)**	(5,304)
UK Deferred tax		
Origination and reversal of timing differences	**6,727**	6,323
Deferred tax credit for the year	**6,727**	6,323
Total tax credit for the year	**4,804**	1,019

Corporation tax is calculated at a rate of 25% (2023: 23.5%) of the taxable profit for the year.

Note 7. Taxation (continued)

Note 7.2 Factors affecting the tax credit for the year

A reconciliation of the credit that would result from applying the standard UK corporation tax rate to the loss before tax to the actual tax credit for the year is given below:

	2024	2023
	£	£
Loss before tax	**(19,215)**	(4,335)
Tax credit thereon at UK corporation tax in the UK of 25% (2023: 23.5%)	**4,803**	1,019
Factors affecting credit:		
- Other	**–**	—
Total tax credit for the year	**4,803**	1,019
Effective rate	**25.00 %**	23.50 %

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

Note 8. Cash and cash equivalents

	2024	2023
	£	£
Cash at bank	**1,001,158**	471,022
Bank overdraft	**(40)**	(434)
Cash and cash equivalents per the Cash flow statement	**1,001,118**	470,588

The Company holds bank accounts with Bank of Scotland plc. The use of the accounts is restricted by a detailed priority of payments set out in the Programme Documentation. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. The accounts are held in the Company's name and meet the definition of cash and cash equivalents.

Note 9. Financial assets held at fair value through profit or loss

	Note	**2024**	2023
		£	£
At 1 January		**10,665,558**	10,901,237
Principal mortgage redemptions during the year		**(392,500)**	(239,750)
Fair value adjustment		**465,262**	608,123
Shared appreciation receivable movements in the year		**(1,050,871)**	(604,052)
	5	**(978,109)**	(235,679)
At 31 December		**9,687,449**	10,665,558

The mortgage loans advanced by the Company have no fixed maturity date but would terminate on the earlier of, the date of sale of the property, or the death of the mortgage account holder. All mortgage loans are considered to be due after one year as the maturity cannot be reasonably determined. As the shared appreciation rights receivable are intrinsically linked to the maturity of the mortgage loans which have no fixed maturity, the balance is considered to be due after one year.

Note 10. Trade and other payables

	2024	2023
	£	£
Shared appreciation payable	**329,063**	—
Note redemption payable	**143,500**	—
Accruals	**38,646**	—
	511,209	—

All amounts are unsecured, non-interest bearing and due within 12 months of the Balance sheet date.

Note 11. Financial liabilities designated at fair value through profit or loss

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk and the fair value of its financial instruments, see note 14.

	Note	2024	2023
		£	£
At 1 January		**10,300,882**	10,465,883
Accrued interest		**(1,432)**	(855)
Principal note repayments during the year		**(249,152)**	(239,632)
Fair value adjustment		**50,416**	679,598
Shared appreciation payable movements in the year		**(721,616)**	(604,112)
	5	**(921,784)**	(165,001)
At 31 December		**9,379,098**	10,300,882

	2024	2023
	£	£
Non-current liabilities		
Notes	**2,733,530**	3,063,517
Shared appreciation payable	**6,634,077**	7,224,443
	9,367,607	10,287,960
Current liabilities		
Interest payable to Note holders	**11,491**	12,922
At 31 December	**9,379,098**	10,300,882

The mortgage-backed fixed rate Notes are due to redeem in 2072. The interest rate payable on the Notes up to and including the interest period ending in the quarter to 31 August 2027 is 4.20% per annum. Thereafter, the interest rate payable on the Notes will be 5.20% per annum until 2072 when the Notes are due to redeem. At the end of the year the Notes, as rated by S&P, had a rating of A+ (2023: rating of A+).

The Notes carry, in addition to interest, rights to receive certain amounts calculated by reference to the value of shared appreciation proceeds received from redeemed mortgages. The Notes are subject to mandatory part-redemption from time to time based on the level of redeemed mortgages and can be redeemed in full, in certain circumstances, at the option of the Company. The Notes are secured on the mortgage portfolio, the bank accounts and certain other assets of the Company.

The Company is contractually obliged to pay to the Note holders any amounts received from mortgage customers for the shared appreciation. As the shared appreciation rights payable are intrinsically linked to the amounts received following maturity of the mortgage loans which have no fixed maturity, the balance is considered to be non-current.

Note 12. Deferred tax liability

	2024 £	2023 £
At 1 January	**26,909**	33,232
Credit for the year	**(6,727)**	(6,323)
At 31 December	**20,182**	26,909
The deferred tax credit in the year comprises the following temporary differences:		
Other temporary differences	**(6,727)**	(6,323)
Deferred tax liability comprises:		
Other temporary differences	**20,182**	26,909

Note 13. Share capital

	2024 £	2023 £
Allotted, authorised and fully paid		
50,000 (2023: 50,000) ordinary shares of £1 each	**50,000**	50,000
1 (2023: 1) deferred share of £1	**1**	1
Total Share capital	**50,001**	50,001

The Company is a directly held subsidiary undertaking of Bank of Scotland plc.

The £1 deferred share is held by Deutsche Trustee Company Limited.

The holder of the ordinary shares is entitled to receive dividends as declared by the Company.

The deferred share carries no entitlement to any dividend or to any share in any surplus assets of the Company on a winding-up, other than the right to be repaid the amount of any paid-up share capital thereon. The right to be repaid any paid-up share capital in the deferred share shall be deferred until after all paid-up share capital has been first repaid on all other classes of issued share capital in the Company.

The deferred share carries the right to receive notice of all general meetings of the Company but does not carry the right to attend, speak or vote at a general meeting unless a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holder of the deferred share, or for the winding up or administration of the Company under the Insolvency Act 1986, or for the entry by the Company with any other party into a merger, reconstruction, scheme of arrangement or amalgamation of or affecting the Company, in any of which cases such holder shall have the right to attend such general meeting and shall be entitled to speak and vote. Whenever the holder of the deferred share is entitled to vote at a general meeting, such holder shall have one vote and on a poll such number of votes as is equal to 34.00% of the number of votes attached to all other issued shares of the Company.

Note 14. Management of risk

The principal risks arising from the Company's financial instruments are credit risk, market risk, including other price risk and interest rate risk, and liquidity risk. Considerable resource is given to maintaining effective controls to manage, measure and mitigate these risks. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below. The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented.

		Carrying value			
31 December 2024	**Note**	**Financial assets**		**Financial liabilities**	
		FVTPL	**Amortised cost**	**FVTPL**	**Amortised cost**
Cash and cash equivalents	**8**		**1,001,158**		
Trade and other receivables			**57,263**		
Financial assets held at fair value through profit or loss	**9**	**9,687,449**			
Bank overdraft	**8**				**40**
Trade and other payables	**10**				**511,209**
Financial liabilities designated at fair value through profit or loss	**11**			**9,379,098**	

Note 14. Management of risk (continued)

31 December 2023	Note	Carrying value			
		Financial assets		Financial liabilities	
		FVTPL	Amortised cost	FVTPL	Amortised cost
Cash and cash equivalents	8		471,022		
Trade and other receivables			44,779		
Financial assets held at fair value through profit or loss	9	10,665,558			
Bank overdraft	8				434
Financial liabilities designated at fair value through profit or loss	11			10,300,882	

Note 14.1. Credit risk

Credit risk is the risk of financial loss arising from a customer's failure to settle financial obligations as they fall due.

Credit risk arises on the individual loans within the mortgage portfolio which are in turn secured on the underlying UK residential properties. The performance of these loans is therefore influenced by the economic background and the UK housing market. Mortgage loans are no longer offered by the Company but the maximum loan-to-value of the original advances was 75.00% and the credit risk is considered to be low as the customer is required to pay back principal and share appreciation on sale or death whichever is earlier and also considerations for interest receipts.

The terms of the mortgage portfolio agreement given by Bank of Scotland plc in respect of the mortgages require Bank of Scotland plc to repurchase any mortgage which is found to be in breach of warranty. Bank of Scotland plc will repurchase any mortgages that are found or held not to be valid, binding and enforceable. Although in such an event the total value of the outstanding loan will be covered by Bank of Scotland plc, the Note holder will not receive the benefit of any future payments of appreciation amounts or partial repayment of appreciation amounts in respect of the mortgages repurchased.

In terms of the shared appreciation in all other circumstances, in accordance with the Programme Documentation, amounts received by the Company from the borrower are required to be paid over to the Note holders in line with the priority of payments.

In terms of arrears management, the Company has engaged Bank of Scotland plc as servicer of the loans in the portfolio to help reduce the risk of loss. The servicer is required to monitor repayments on the mortgage loans in accordance with its usual credit policies.

The total value of interest arrears at 31 December 2024 was £2,959 (2023: £7,941). All accounts in the mortgage portfolio had a maximum loan-to-value of 75.00% and those accounts in interest arrears had a current loan-to-value ratio of less than 40.00%. Credit risk is considered to be low. There are no properties in possession or bad debts within the Company (2023: none). The current loan-to-value is 13.07% (2023: 13.68%).

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Note	**Carrying amount**	**Maximum exposure**	Carrying amount	Maximum exposure
		2024	**2024**	2023	2023
		£	**£**	£	£
Assets held at amortised cost:					
Cash and cash equivalents	8	**1,001,158**	**1,001,158**	471,022	471,022
Assets held at fair value:					
Financial assets held at fair value through profit or loss	9	**9,687,449**	**9,687,449**	10,665,558	10,665,558
Total Assets		**10,688,607**	**10,688,607**	11,136,580	11,136,580

Note 14.2 Market risk

Market risk is the risk of financial losses to the Company from factors related to the market in which it operates. The Company's market is the UK residential housing market. The key risks related to this market are other price risk and interest rate risk.

Note 14. Management of risk (continued)

Note 14.2.1 Other price risk

Under the terms of the Notes the Company is obliged to pay the Note holders the return on the shared appreciation that has accrued during the life of the mortgage loan at the rate implicit in the specific mortgage loan agreement as and when repaid by the mortgage loan customer. Shared appreciation is subject to the movement in the market value of the property which is dependent upon house price inflation, as measured by the HPI. Further information on the sensitivity around HPI can be found in note 3.2.

However, the Company itself is not impacted by price risk as the risk of returns on the Notes being below initial expectations lies with the Note holder and there are no guarantees within the terms of the Notes for expected increases in value.

Note 14.2.2 Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at a different time.

The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar. Both the mortgage portfolio and the Notes issued by the Company are exposed to fair value interest rate risk as they carry fixed interest rates.

At 31 December 2024, if interest rates had been 100 basis points higher or lower with all other variables held constant, the net effect on the Company's Statement of comprehensive income would be insignificant. All items remain unaffected by interest rate changes except for interest earned on bank accounts but a 100 basis points change would not give rise to a significant impact on bank interest.

Note 14.3 Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost.

The Company has an unconditional and irrevocable 364-day revolving letter of credit provided by Bank of Scotland plc. The letter of credit is for a maximum aggregate principal amount of £890,000 (2023: £890,000) to assist the Company should it not be able to meet its certain obligations under the Notes. The reliance on this facility is therefore dependent upon the creditworthiness of Bank of Scotland plc, which currently has a short-term rating from Standard and Poor's (S&P) of A-1 (2023: S&P short-term rating: A-1).

The Company has not drawn on the letter of credit since inception.

The ability of the Company to meet its obligations to repay the Notes is dependent upon the receipt of funds earned on the mortgage portfolio and the letter of credit issued by Bank of Scotland plc. To the extent that this income does not provide sufficient funds to cover the interest due on the Notes or the repayment of the Notes, the Note holders have no claim on the assets of Bank of Scotland plc.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the earliest contractual maturity date as set out in the Programme Documentation. However, the actual Note repayment profile mirrors the repayment of the mortgages and based on current modelling assumptions, which use mortality rates sourced from industry wide metrics, it is anticipated that not all of the mortgages will have been settled by the earliest contractual maturity date used for the maturity analysis in these tables.

In the event that a mortgage loan redeems earlier than the earliest contractual maturity date used in these tables, the related Notes would be due for payment at the next quarterly waterfall cycle and paid earlier than these tables assume. The Company would also pay less interest than these tables have assumed if the Notes are settled earlier than the contractual maturity date used in these tables.

2024	Carrying amount	Contractual repayment value	Not later than one month	Later than one month but not later than three months	Later than three months but not later than one year	Later than one year and not later than five years
	£	£	£	£	£	£
Principal						
Financial liabilities designated at fair value through profit or loss	**9,367,607**	**9,367,607**	**–**	**–**	**–**	**9,367,607**
Trade and other payables	**511,209**	**511,209**	**-**	**511,209**	**–**	**–**
Bank overdraft	**40**	**40**	**40**	**–**	**–**	**–**
Interest payable						
Interest payable to Note holders	**11,491**	**372,800**	**–**	**33,360**	**101,934**	**237,506**
	9,890,347	**10,251,656**	**40**	**544,569**	**101,934**	**9,605,113**

Note 14. Management of risk (continued)

Note 14.3 Liquidity risk (continued)

2023	Carrying amount	Contractual repayment value	Not later than one month	Later than one month but not later than three months	Later than three months but not later than one year	Later than one year and not later than five years
	£	£	£	£	£	£
Principal						
Financial liabilities designated at fair value through profit or loss	10,287,960	10,287,960	–	–	–	10,287,960
Bank overdraft	434	434	434	-	-	-
Interest payable						
Interest payable to Note holders	12,922	570,666	–	37,830	114,320	418,516
	10,301,316	10,859,060	434	37,830	114,320	10,706,476

Note – the repayment of principal and associated shared appreciation is contractually due when the mortgage loan becomes due on either the date of sale of the property or on the death of the customer.

Note 14.4 Fair values

The financial instruments below are analysed by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices (level 2)).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Financial assets and liabilities carried at fair value

	2024	2023
	£	£
	Level 3	Level 3
Financial assets held at fair value through profit or loss	**9,687,449**	10,665,558
Financial liabilities designated at fair value through profit or loss	**(9,379,098)**	(10,300,882)

The management discusses the significant inputs to the valuation model on half-yearly basis with a model governance committee, which review and approves any changes.

The shared appreciation rights receivable and mortgage portfolio as a whole (financial assets at FVTPL), plus the shared appreciation rights payable and loan notes as a whole (financial liabilities at FVTPL), are both measured at fair value. The fair value has been calculated by discounting expected cash flows at an appropriate market rate for a regular standard variable mortgage product. In addition, the fair value includes an estimate of future HPI growth using the Group's own economic growth assumptions, together with an estimated dilapidation rate which has been determined based upon actual impact to date from previous redemption activity. The fair value calculation also factors in mortality rates which are used by the Group's insurance division and sourced from industry wide metrics. For this reason, in accordance with IFRS 13 Fair value measurement ("IFRS 13"), the fair value measurement is considered to be Level 3 in the fair value hierarchy.

The fair value also includes the adjustment for any future litigation risk. Please refer to note 3 for further details. There has been no change in the valuation technique from last year.

Financial assets and liabilities carried at amortised cost

Cash and cash equivalents, Trade and other receivables and Trade and other payables are recognised at amortised cost. The fair value of these assets and liabilities is considered to be a close approximation to amortised cost due to the short-term nature of these assets and liabilities.

Note 15. Related parties

The Company is a subsidiary undertaking of Bank of Scotland plc and ultimately Lloyds Banking Group plc.

The Company receives bank interest from Bank of Scotland plc on its bank deposits. Bank of Scotland plc administers the mortgage portfolio on behalf of the Company, for which quarterly service fees are paid. No dividend was paid during the year (2023: £nil).

During the year Bank of Scotland plc agreed settlement, on the Company's behalf, with those customers who had been party to a claim issued in the County Court against Bank of Scotland plc and its subsidiaries, including the Company. Further information on the claim and the settlement can be found in Note 3.1 and Note 16.

During the year the Company undertook the following transactions with companies in the Group:

	Parent 2024 £	Parent 2023 £
Statement of comprehensive income		
Income		
Interest receivable and similar income	**32,825**	21,732
Expenses		
Operating expenses	**(7,466)**	(8,571)
Balance sheet		
Assets		
Cash and cash equivalents	**1,001,158**	471,022
Liabilities		
Bank overdraft	**(40)**	(434)

The key management personnel during the year were the Directors, as set out in the Directors' Report.

Note 16. Contingent liabilities

Tax matters

The 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 2020, HMRC concluded its enquiry into the matter and issued a closure notice denying the group relief claim. The Group appealed to the First Tier Tax Tribunal. The hearing took place in May 2023. In January 2025, the First Tier Tribunal concluded in favour of HMRC. The Group believes it has applied the rules correctly and that the claim for group relief is correct. Having reviewed the Tribunal's conclusions and having taken appropriate advice the Group intends to appeal the decision and does not consider this to be a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in the Company's current tax liabilities of approximately £65,000 (including interest). It is unlikely that any appeal hearing will be held before 2026, and final conclusion of the judicial process may not be for several years.

Litigation

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, customers as well as legal and regulatory reviews, challenges, investigations and enforcement actions.

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 properly to assess the merits of the case, and no provisions are held in relation to such matters. In these circumstances, specific disclosure in relation to a contingent liability will be made where material. Following the agreement reached on the last known claim, as discussed further below, the Company is not aware of any further such matters where it expects the final outcome would have a material adverse effect on its financial position, operations or cash flows.

Note 16. Contingent liabilities (continued)

Litigation (continued)

In January 2021, a litigation claim was brought by, or on behalf of, a number of customers against Bank of Scotland plc and some of its subsidiary undertakings which had issued shared appreciation mortgages, including the Company. The claim was issued in the County Court and was brought under the unfair relationship provisions of the Consumer Credit Act 1974. On 23 January 2024, the Claimants and Bank of Scotland plc (and the other Defendants, including the Company) agreed a commercial settlement of this litigation, without any admission of liability. The terms of the settlement agreement are confidential. There are no changes to the mortgages, or their terms and conditions. Following the settlement in January 2024, the Directors have concluded that no provision is required against this claim in the Company's financial statements as Bank of Scotland plc has borne the costs of this settlement. Should further claims arise, the directors have considered the contractual arrangements between the Bank of Scotland and the Company and that Bank of Scotland plc can meet any associated costs or liabilities (if any) which may become due. No reimbursement will be made to the Bank of Scotland for such costs or liabilities. Since the settlement on 23 January 2024, the Company has received a number of new pre-action claims.

Note 17. Events after the Balance sheet date

There are no events after the Balance sheet date requiring disclosure in these financial statements.

Note 18. Future accounting pronouncements

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includeIFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards is being assessed and they have not yet been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of amendments to the IFRS Accounting Standards effective on or after 1 January 2025, including Amendments to IFRS 9 Financial Instruments (effective 1 January 2026) and Amendments to IFRS 7 Financial Instruments Disclosure (effective 1 January 2026) and IAS 21 The Effects of Changes in Foreign Exchange Rates (effective 1 January 2025). These improvements and amendments are not expected to have a significant impact on the Company.

Note 19. Parent undertaking and controlling party

The Company's immediate parent company is Bank of Scotland plc (incorporated in Scotland).

The Company regarded by the Directors as the Ultimate parent company and controlling party is Lloyds Banking Group plc, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up. Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings to consolidate these financial statements. Copies of the consolidated financial statements for both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 33 Old Broad Street, London EC2N 1HZ or downloaded via www.lloydsbankinggroup.com.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOS (SHARED APPRECIATION MORTGAGES) NO. 1 PLC

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of BOS (Shared Appreciation Mortgages) No. 1 plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 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; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of financial assets held at fair value through profit or loss.
Materiality	The materiality that we used in the current year was £0.1 million which was determined on the basis of 1% of total assets.
Scoping	All audit procedures to respond to the risks of material misstatement were performed by the audit engagement team, including our financial instrument valuation specialists.
Significant changes in our approach	We have changed our factor for determining performance materiality from 70% of materiality to 65% of materiality in the current year. The revised factor is aligned with our expectation of anticipated corrected and uncorrected misstatements during the current year. There are no other significant changes in our approach from prior year.

4. 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.

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

- inspecting the securitisation programme documentation to identify triggers that could have an impact on the company's ability to continue as a going concern;
- considered the directors' assessment that there is no intention to early redeem the notes in the next 12 months;
- specific consideration of the potential impact of any future litigation claims, in order to understand, challenge and assess the key judgements made by management;
- considering the limited recourse features of the notes and the impact on liquidity requirements;
- inspecting the minutes of meetings of the company's board of directors for periodic discussion of the performance of the company; and
- assessing the appropriateness of the disclosures made in the financial statements.

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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of financial assets held at fair value through profit or loss

Key audit matter description	The company issued lifetime mortgage loans, which included terms that entitled the company to a share of the capital appreciation of the property collateral, on which the mortgage loans are secured. The company's share of appreciation is determined in accordance with a formula agreed at the time of the origination of the mortgage loans, including the 'loan-to-value' ratio on the principal amount borrowed. The company is entitled to a share of the appreciation in the event of a sale of the property or the death of the borrower. Due to these terms, the mortgage loans failed the 'solely payment of principal and interest' test under IFRS 9 'Financial Instruments', and accordingly have been recognised at fair value through profit or loss. The valuation model involves management judgement in determining the fair valuation methodologies. It involves the estimate of future House Price Index ('HPI') growth using Lloyds Banking Group's own economic growth assumptions, together with an estimated dilapidation rate which has been determined based upon the actual impact to date of previous redemption activity. The fair value calculation also factors in mortality rates which are based on an analysis of the average age of borrowers in the portfolio, derived from industry wide metrics. The model also includes an estimation of future cash flows discounted at an appropriate market rate for a regular standard variable mortgage product. As explained in note 3.1, the valuation model also includes an adjustment for any potential legal claims which is a probability based assessment for a variety of potential legal outcomes. Due to the complexity involved in the valuation process, we consider that the above key judgements and estimates carry a risk of management bias and therefore give rise to a potential risk of fraud. As of 31 December 2024, the company has recognised financial assets held at fair value through profit or loss of £9.7 million (2023: £10.7 million). Refer to notes 2.3.2, 2.3.3, 3, 9 and 14.4 in the financial statements.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the company's valuation process.

	We performed the following substantive audit procedures over the valuation of financial assets held at fair value through profit or loss: • involved financial instrument valuation specialists, to perform an independent recalculation of the fair value of financial assets at the year end; • challenged and assessed the reasonableness of the future HPI growth rates, discount rates and mortality rates through comparison to independent market data; • assessed the reasonableness of dilapidation rates by performing recalculations of historical actual redemptions on a sample basis and vouched the inputs to underlying source data; • challenged and assessed the litigation probabilities of any potential legal claims and their impact on the fair valuation model, by performing independent inquiries with in-house legal counsel; • tested on a sample basis the accuracy and completeness of the inputs to the fair valuation model to underlying source data; and • performed a stand back assessment of the appropriateness of the assumptions, model, and input data to evaluate any contradictory evidence.
Key observations	From the work performed, we are satisfied that the judgements and estimates involved in the fair valuation are reasonable and the fair valuation of the financial assets held at fair value through profit or loss and the related disclosures as at 31 December 2024 are appropriate.

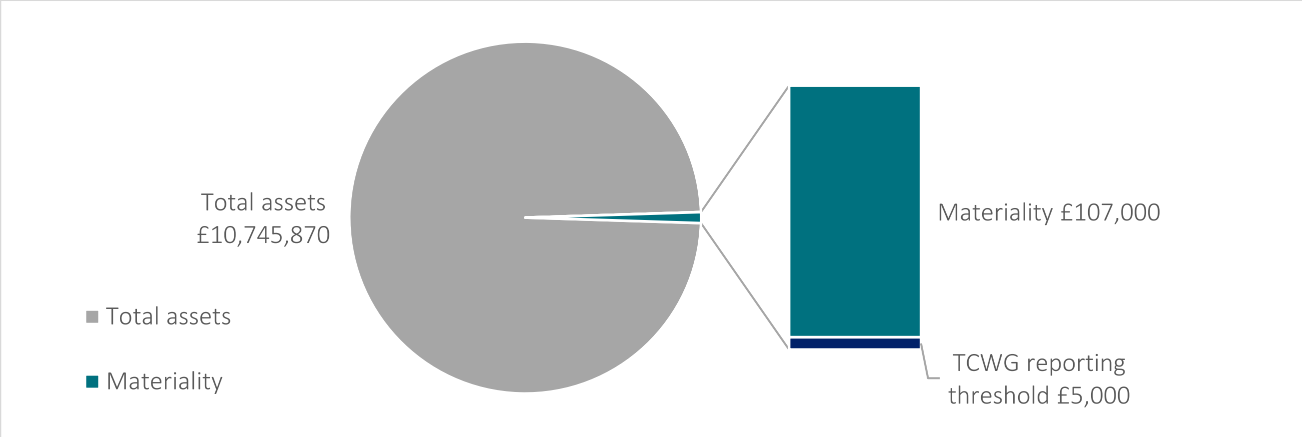
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£0.1 million (2023: £0.1 million)
Basis for determining materiality	1% of total assets (2023: 1% of total assets)
Rationale for the benchmark applied	The noteholders are the primary users of the financial statements and the key focus for users of the financial statements is total assets as the repayment to noteholders is driven by this.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2024 audit (2023: 70%). In determining performance materiality, we considered the following factors:

a. our risk assessment, including our assessment of the company's overall control environment;
b. our understanding of the business processes and complexity involved in the preparation of financial statements;
c. potential litigation claims in relation to the mortgages issued by the company; and
d. the nature, volume and size of corrected and uncorrected misstatements identified in the previous audit which indicated a higher number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the board of directors that we would report to them all audit differences in excess of £5,000 (2023: £5,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the board of directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit scope was determined through obtaining an understanding of the entity and its environment, including internal controls, and assessing risks of material misstatements. Audit procedures to respond to risks of material misstatement were performed by the engagement team including financial instrument valuation specialists.

7.2. Our consideration of the control environment

We obtained an understanding of the control environment, including the underlying IT systems. We planned not to rely on the general IT controls or application controls, as the company's operations are largely based on manual processes and controls.

8. Other information

The other information comprises the information included in the annual report, i.e., the strategic report and the directors' 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.

9. Responsibilities of directors

As explained more fully in the statement of director's responsibilities, 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.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including financial instrument valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the financial assets held at fair value through profit or loss. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of financial assets held at fair value through profit or loss as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing these to supporting documentation to assess compliance with the provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management, the directors, in-house and external legal counsel concerning any potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee of ultimate controlling party as defined in note 19, we were appointed by the shareholders of the ultimate controlling party at its annual general meeting on 20 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement of the firm is 4 years, covering the years ending 31 December 2021 to 31 December 2024.

14.2. Consistency of the audit report with the additional report to those charged with governance

Our audit opinion is consistent with the additional report to those charged with governance we are required to provide in accordance with ISAs (UK).

15. 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.

I Mahroof

Ifada Mahroof, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
25 April 2025