03850542

CLERICAL MEDICAL FINANCE PLC

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

J L Bezuidenhout
R A Messenger

Secretary

K J McKay

Independent Auditor

Deloitte LLP
9 Haymarket Square
Edinburgh
EH3 8RY

Registered Office

33 Old Broad Street
London
EC2N 1HZ

Company Number

03850542

STRATEGIC REPORT

The Directors present the audited financial statements of Clerical Medical Finance plc ('the Company') for the year ended 31 December 2024. The Company is registered in England and is a public company limited by share capital.

The Company is a subsidiary of HBOS Financial Services Limited ('HBOS FS') and part of the Insurance, Pensions and Investments ('IP&I') division of Lloyds Banking Group. The Company's ultimate parent company and ultimate controlling party is Lloyds Banking Group plc (Lloyds Banking Group).

Principal activities

The Company's principal activity was to act as a finance company for Scottish Widows Limited ('SWL'), a fellow subsidiary of Lloyds Banking Group plc. Listed subordinated debt raised by the Company was loaned to SWL on similar interest and repayment terms as those applied to the listed subordinated debt raised by the Company. The loan to SWL and listed subordinated debt raised were fully repaid in November 2019 and the Company's Directors intend to liquidate the Company once the open matters with His Majesty's Revenue and Customs ('HMRC'), as disclosed in note 9 are resolved.

Company Performance

The result of the Company for the year ended 31 December 2024 is nil (2023: nil).

Key performance Indicators ('KPIs')

The Company's Directors are of the opinion that using KPIs is not necessary for an understanding of the development, performance and position of the Company.

Future Outlook

The Directors have an intention to liquidate the Company.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for Lloyds Banking Group and are not managed separately for the Company. Further details of the Lloyds Banking Group's risk management policy are contained in note 7 to the financial statements.

The Company's approach to Environmental, social and governance risks ("ESG") is aligned to that of Lloyds Banking Group. Further information in respect of the ESG risks in Lloyds Banking Group are included within the Strategic Report within the LBG Annual Report and Accounts for 2024.

Credit risk, liquidity risk, market risk and interest rate risk are managed and monitored by risk teams internal to Lloyds Banking Group. Further details of these risks and the risk management policy are contained in note 7 of the financial statements.

Credit risk

Credit risk is the risk that parties with whom the Company has contracted, fail to meet their financial obligations, resulting in loss to the Company. Credit risk is managed in line with the Insurance Credit Risk Policy and the wider Lloyds Banking Group Credit Risk Policy which set out the principles of the credit control framework. Further information can be found in note 7.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by internal risk teams. The Company's ability to meet its funding obligations is closely monitored by Lloyds Banking Group's Corporate Treasury team. Further information can be found in note 7.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis, or are reset at different times. Interest rate risk for the Company includes customer lending and intragroup funding obligations. Further information can be found in note 7.

Economic environment

The current financial year has been a year of change and economic uncertainty, with the cost of living crisis, rising geopolitical tensions and an ongoing climate emergency. These factors have all contributed to increasing the cost of living which impacts Lloyds Banking Group and customers of its subsidiaries. In line with the Lloyds Banking Group's purpose of Helping Britain

STRATEGIC REPORT (continued)

Economic environment (continued)

Prosper and its clear customer focus, Lloyds Banking Group continues to provide support to those most affected by changes to the economic environment. The Company will continue to monitor the situation and risks to the business.

Financial risk management

Disclosures relating to financial risk management are included in note 7 to the financial statements and are therefore incorporated into this report by reference

Section 172(1) Statement

The Board is collectively responsible for the long-term success of the Company. Understanding the interests of the Company's key stakeholders (this includes shareholders, communities, and the environment), is central to achieving the Company's strategy and informs key aspects of Board decision making.

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

The Company is a subsidiary of Lloyds Banking Group plc (Lloyds Banking Group) and, as such, follows many of the processes and practices of Lloyds Banking Group, which are referred to in this Statement where relevant. Stakeholder engagement is an important part of how Lloyds Banking Group is delivering on its purpose of Helping Britain Prosper.

How the Board has discharged its Section 172 duties

The Directors, as part of their appointment and during their induction to the Board, are briefed on their statutory director duties and the standards required of subsidiary directors within Lloyds Banking Group.

Stakeholder engagement is embedded in the Board's delegation of authority to management for the delivery of the Company's strategy and overall day-to-day management of the Company's business within its defined risk appetite.

Further details of how the Board considers each of the specific matters set out in Section 172 are set out below which serves as the Company's Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group. The Board ensures that the strategy, priorities, processes, and practices of the Company are aligned where appropriate to those of Lloyds Banking Group, ensuring that its interests as the Company's shareholder are duly acknowledged.

Communities and Environment

The Scottish Widows Group, which includes the Company, is supported on environmental matters by its Investment Committee, the majority of whose members are independent non-executive directors. The Investment Committee oversees the investment management strategy (and Responsible Investment activities) of the customer funds and shareholder assets within the Scottish Widows Group, with specific consideration to the opportunities related to sustainability risks, including climate, people and societal risk. This includes monitoring the effectiveness of the investment management strategy for meeting the Scottish Widows stated Net Zero targets.

Further information on the Scottish Widows Group's transition to Net Zero and protecting nature can be found in the Lloyds Banking Group Sustainability Report. This report is available on the Lloyds Banking Group website.

A refresh of the Scottish Widows Responsible Investment Framework was undertaken by the Investment Committee in Q4 2024. This is a principles-based framework which guides the Scottish Widows responsible investment approach from asset allocation to fund manager selection, fund research and engagement activity. This is published on the Scottish Widows website along with further detail on Scottish Widows responsible investment and stewardship initiatives and other published reports.

On behalf of the Board of Directors

R A Messenger
Director
24 June 2025

DIRECTORS' REPORT

General information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (registered number 05148211)

The Company is a wholly owned subsidiary of HBOS Financial Services Limited ('HBOS FS') and is part of Lloyds Banking group

Dividends

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

Climate Change

Creating a sustainable future is core to the Lloyds Banking Group purpose of Helping Britain Prosper. The Company is guided by the Lloyds Banking Group strategy which focuses on areas where we can have impact, supporting the UK's transition through lending, investments, products and services.

In 2022, Scottish Widows launched its climate action plan that sets out a long-term strategy with actions to drive the investment portfolio towards net zero by 2050, as well as targeting by 2025, the investment of between £20 billion and £25 billion in climate-aware investment strategies. We have exceeded the upper range of this target, ending 2024 with £25.9 billion. The climate plan is formulated in a manner that prioritises customer goals within decision-making.

The Company is supportive of the Task Force on Climate-Related Financial Disclosures 'TCFD' framework and related regulatory expectations. Prior to the 2023 year-end, a TCFD aligned report was published at the parent entity level, SWG. Since the 2023 year-end, the Company has been included within the Lloyds Banking Group Sustainability Report. This report is available on the Lloyds Banking Group website at http://www.lloydsbankinggroup.com/investors/esg-information.

Post balance sheet events

There are no events after the reporting date up until the date of issuance.

Directors

The names of the current Directors are listed on page 3. Changes in directors since the end of the year are as follows.

Particulars of the Directors' emoluments are set out in note 8.

J L Bezuidenhout	Appointed	10/04/2025
M B Bhutta	Resigned	10/04/2025

Company Secretary

K J McKay acted as Company Secretary during the year and up to the date of approving the financial statements.

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 any Director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service.

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

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' REPORT (continued)

Going concern

The Directors have an intention to liquidate the Company. Consequently, the financial statements are not prepared on a going concern basis but instead on a basis other than going concern. No adjustments were necessary to the valuation of net assets which are included in these financial statements. Sufficient funds are available to support the business activities until liquidation occurs.

Strategic Report

The disclosure for company performance, future outlook, financial risk management, principal risks and uncertainties, and key performance indicators that would otherwise be required to be disclosed in the Director's Report can be found in the Strategic Report

Future developments

Future developments are detailed in note 10.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

- The Company financial statements which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company;
- The Directors' Report on pages 6 to 8 include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Independent auditor

Pursuant to section 487(2) of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and Deloitte LLP will therefore continue in office.

The Directors have reviewed and approved the Financial Statements.

The disclosure for company performance, future outlook, financial risk management, principal risks and uncertainties, and key performance indicators that would otherwise be required to be disclosed in the Director's Report can be found in the Strategic Report

On behalf of the Board of Directors

R A Messenger

Director
24 June 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLERICAL MEDICAL FINANCE PLC

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Clerical Medical Finance 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 result 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 statement of cashflows and
- the related notes 1 to 11.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter- Financial statements prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the statement of directors' 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.

Independent auditor's report to the members of Clerical Medical Finance Plc (continued)

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.

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Independent auditor's report to the members of Clerical Medical Finance Plc (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nikola Doig CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
24 June 2025

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 £ 000	2023 £ 000
Income		
Movement in impairment loss allowance	-	-
Total income	**-**	**-**
Result before tax	**-**	**-**
Taxation charge	-	-
Result and total comprehensive income for the year	**-**	**-**

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

The notes set out on pages 16 to 22 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	2024 £ 000	2023 £ 000
ASSETS			
Financial assets:			
Cash and cash equivalents	4	232	-
Other receivables	5	-	232
Total assets		**232**	**232**
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity shareholder			
Share capital	6	225	225
Retained earnings		7	7
Total equity		**232**	**232**
Liabilities			
Current tax liabilities		-	-
Total liabilities		-	-
Total equity and liabilities		**232**	**232**

The notes set out on pages 16 to 22 are an integral part of these financial statements.

The financial statements on pages 12 to 22 were approved by the Board of Directors on 24 June 2025 and signed on its behalf by:

RMessenger

R A Messenger

Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 £ 000	2023 £ 000
Cash flow from operating activities		
Result before tax	-	-
Adjusted for:		
Current year movement in impairment loss allowance	-	-
Movement in other receivables	232	-
Taxation paid	-	-
Net cash inflow from operating activities	**232**	**-**
Cash flow from financing activities		
Dividends	-	-
Net cash outflow from financing activities	**-**	**-**
Net increase in cash and cash equivalents	232	-
Cash and cash equivalents at the beginning of the year	-	-
Net cash and cash equivalents at the end of the year	**232**	**-**

The notes set out on pages 16 to 22 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
Balance as at 1 January 2023		**225**	**7**	**232**
Balance as at 31 December 2024 and 2023	6	**225**	**7**	**232**

The notes set out on pages 16 to 22 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1. Accounting policies

The Company is a public Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The registered office can be found on the front page and its principal activity is included in the Directors' report.

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

(a) Basis of preparation

These financial statements have been prepared:

(1) In accordance with the International Accounting Standards ('IASs') and in conformity with the requirements of the Companies Act 2006;

(2) Under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss as set out in the relevant accounting policies.

The Directors have an intention to liquidate the Company. Consequently, the financial statements are not prepared on a going concern basis but instead on a basis other than going concern. No adjustments were necessary to the valuation of net assets in order to disclose all current and prior year balances at fair value following the decision to liquidate. Sufficient funds are available to support the business activities until liquidation occurs, including liquidation costs.

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

Standards and interpretations effective in 2024

There are no new standard and interpretations effective in 2024 that have been adopted by the Company.

(b) Interest income

Interest income consists of investment income on liquidity funds and interest receivable on subordinated assets.

(c) Financial assets and financial liabilities

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

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

Financial liabilities are recognised initially at fair value, being the issue proceeds net of transaction costs incurred.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

1. Accounting policies (continued)

(c) Financial assets and financial liabilities (Continued)

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

(d) Impairment of financial assets

The impairment charge in the statement of comprehensive income includes the change in expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated by using an appropriate probability of default and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

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

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective.

Typically, financial instruments with an external credit rating of investment grade are considered to have low credit risk.

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

A loan or receivable is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery, and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income.

(e) Taxation, including deferred income taxes

Tax expense comprises current tax. Current tax is 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

1. Accounting policies (continued)

(f) Share capital

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

2. Critical accounting estimates and judgements in applying accounting policies

The Company's management makes estimates and judgements that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There are no critical accounting estimates or judgements included within the reported amount of assets and liabilities in the current year.

3. Auditor's remuneration

Audit fees are borne by another subsidiary within Lloyds Banking Group and are as follows:

	2024 **£ 000**	**2023** **£ 000**
Fees payable for the audit of the Company's annual financial statements	9	9
Total	**9**	**9**

4. Cash and cash equivalents

	2024 **£ 000**	**2023** **£ 000**
Cash at bank	232	-
Total	**232**	**-**

5. Other receivables

	2024 **£ 000**	**2023** **£ 000**
Other amount receivable from related party	-	232
Total	**-**	**232**

The above 2023 balance relates to an intercompany asset with HBOS FS. This balance was settled in cash during 2024 (see note 4).

6. Share capital

	2024 **£ 000**	**2023** **£ 000**
Issued and fully paid share capital:		
225,000 (2023: 225,000) ordinary shares of £1 each	225	225
Total	**225**	**225**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

7. Risk management

This note summarises the financial risks and the way in which the Company manages them.

The Company is exposed to a range of financial risks.

The measurement of financial assets and financial liabilities is outlined in note 1(c). The summary of significant accounting policies (note 1) describes how the class of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

(a) Credit risk

The risk that parties with whom the Company has contracted, fail to meet their financial obligations, resulting in loss to the Company.

Credit risk is managed in line with the Insurance Credit Risk Policy and the wider Lloyds Banking Group Credit Risk Policy which set out the principles of the credit control framework.

The following table sets out details of the credit quality of financial assets:

	2024 £000	2023 £000
Other receivables	-	232
Total assets bearing credit risk	**-**	**232**

The tables below analyse financial assets subject to credit risk using Standard & Poor's rating or equivalent.

As at 31 December 2024

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
Stage 1 assets						
Other receivables	-	-	-	-	-	-
Exposure to credit risk	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**

As at 31 December 2023

	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	Not rated £000
Stage 1 assets						
Other receivables	232	-	-	232	-	-
Exposure to credit risk	**232**	**-**	**-**	**232**	**-**	**-**
Total	**232**	**-**	**-**	**232**	**-**	**-**

No terms in respect of financial assets had been renegotiated as at 31 December 2024 or 31 December 2023.

Exposure to credit risk is concentrated across counterparties as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

7. Risk management (continued)

(a) Credit risk (continued)

As at 31 December 2024

	Total £000
Loans and receivables at amortised cost:	
Other receivables	-
Total	**-**

As at 31 December 2023

	Total £000
Loans and receivables at amortised cost:	
Other receivables	232
Total	**232**

(b) Liquidity risk

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

Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

(c) Capital risk

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the across the Company.

The Company's objectives when managing capital is to have sufficient capital to safeguard the Company's ability to continue and support business activities until liquidation occurs.

8. Related party transactions

(a) Ultimate parent and shareholding

The Company's immediate parent undertaking is HBOS Financial Services Limited, a company registered in the United Kingdom. HBOS Financial Services Limited has taken advantage of the provisions of the Companies Act 2006 and has not produced consolidated financial statements.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 33 Old Broad Street, London EC2N 1HZ or downloaded via www.lloydsbankinggroup.com.

(b) Transactions and balances with related parties

Transactions between the Company and other companies in Lloyds Banking Group

The Company has entered into the following transactions with HBOS Financial Services Limited during the year and holds the following balances with other related parties at the end of the year:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

8. Related party transactions (continued)

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

	2024			
	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Relationship				
Parent	-	-	-	-

	2023			
	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Relationship				
Parent	-	-	-	232

The Company paid no dividends to its parent company during the year ended 31 December 2024 (2023: £nil).

(c) Transactions between the Company and key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are the Directors.

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow group undertaking which makes no recharge to the Company.

9. Contingent liability

Lloyds Banking Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2020, HMRC concluded its enquiry into the matter and issued a closure notice denying Lloyds Banking Group relief claim. Lloyds Banking 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. Lloyds Banking 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 Lloyds Banking 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 £92k (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.

10. Changes to accounting policies and future accounting developments

The following pronouncements are not applicable for the year ending 31 December 2024 and have not been applied in preparing these financial statements.

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 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 are being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure. These improvements and amendments are not expected to have a significant impact on the Company.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

11. Post balance sheet events

There are no events after the reporting date up until the date of issuance.