Scottish Widows Financial Services Holdings

Annual Report and Accounts

2024

Member of Lloyds Banking Group

CONTENTS **PAGE(S)**

COMPANY INFORMATION

Board of Directors

J S Wheway (Chair)

C Barua*
W L D Chalmers
K A Cooper
M H Cuhls
J K Harris
P G McNamara
C J G Moulder
S T Nyahasha*
G E Schumacher

* denotes Executive Director

Company Secretary

C A Riddy

Independent Auditors

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Registered Office

The Mound
Edinburgh
Midlothian
EH1 1YZ

Company Registration Number

SC199548

STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Financial Services Holdings (the 'Company') for the year ended 31 December 2024. The Company is registered in Scotland and is a private unlimited company.

The Company is a subsidiary of Scottish Widows Group Limited (SWG) and contributes to the results of the Insurance, Pensions and Investments ('IP&I') division of Lloyds Banking Group plc.

Principal activities

The Company's principal activity is that of an intermediate holding company. Its three subsidiaries are SW Funding plc (SWF) (formerly Scottish Widows plc), HBOS Financial Services Limited (HBOS FS), and HBOS International Financial Services Holdings Limited (HBOS IFSHL).

Result for the Year

The result for the year ended 31 December 2024 is a profit after tax of £51.9 million (2023: profit after tax: £50.2 million). The result for the year reflects dividend income from subsidiaries and investment income, partially offset by impairment charges on the valuation of subsidiaries. A dividend of £71.0 million was paid to the parent (2023: £50.0 million).

The effect of the profit for the year and dividend paid is that total net assets of the Company as at 31 December 2024 have decreased by £19.1 million to £173.5 million (2023: total net assets £192.7 million).

Economic Environment

The UK economy recovered somewhat from its pause in the second half of 2023. Households' spending power is rising and the unemployment rate remains low. The new Government aims to boost growth through increased investment and a constructive regulatory backdrop. Global conflicts and threats to global trade integration remain headwinds. In a positive or more challenging macroeconomic environment, our business model and strategy position us well, in particular the strength of our customer franchise, our scale and balance sheet, and our prudent approach to risk. Our strategy and transformation, combined with further efficiency improvements, will deliver profit growth, diversification and resilience. The Company will continue to monitor the situation and risks to the business.

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 www.lloydsbankinggroup.com/investors/esg-information.

Key performance indicators

The Company's principal business during the year was the holding of investments in subsidiaries. Its principal income is the receipt of dividends from these subsidiaries and investment income. In 2024, £71.8 million of dividends were received from subsidiary undertakings (2023: £50.0 million). No further investments have been made in subsidiaries.

The Directors are of the opinion that the above are the key performance indicators which are appropriate to the principal activity of the Company. The development, performance and position of the IP&I division are presented within Lloyds Banking Group's annual report, which does not form part of this report.

Outlook

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

STRATEGIC REPORT (continued)

Principal risks and uncertainties

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

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

Financial risks

Principal Risk	Note reference	Description
Market risk	13(a)	Market risk is defined as the risk that the Company's capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business. External rates are outwith the Company's control therefore mitigation is via having sufficient financial reserves to cover reduced earnings.
Credit risk	13(c)	Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Company through its investment in subsidiaries is subject to credit risk through a variety of counterparties through invested assets, cash in liquidity funds, bank accounts and reinsurance. Credit risk is mitigated via the risk transfer policy and the investment policy which ensure exposures are appropriately monitored and action taken where necessary.
Capital risk	13(d)	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 are to ensure that sufficient capital is available to safeguard the Company’s ability to continue as a going concern so that it can continue to provide a return to the shareholder. Capital risk is managed via the Capital Risk Policy, which includes tools and governance to monitor and allocate capital accordingly.
Liquidity risk	13(e)	Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. The Company is exposed to liquidity risk from non-policyholder related activity (such as investment purchases and the payment of shareholder expenses). Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Non-financial risks

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

Principal Risk	Description
Operational risk	Operational risk is the risk of actual or potential impact to the Group (financial and/or non-financial) resulting from inadequate or failed internal processes, people and systems or from external events. This includes risks around Information, Cyber and Physical Security, IT Systems, Data and Privacy, Internal and External Supplier, People, Business Continuity, Payments and Transaction Execution, Financial Reporting (including Tax), Health & Safety and Premises, Change Execution risk. Operational risk is managed by operational risk policies and an operational risk framework, which includes a Risk and Control Self-Assessment (RCSA) process. The Company maintains a formal approach to operational risk event escalation, whereby material events are identified, captured and escalated. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe, reduce costs, and improve efficiency.
Climate risk	Climate risk is defined as the risk that the Group experiences losses and/or reputational damage, either from the impacts of climate change and the transition to net zero (‘inbound risk’), or as a result of the Group’s response to tackling climate change (‘outbound risk’). As a cross-cutting risk, Scottish Widows Group has integrated climate risk as a principal risk within our Enterprise Risk Management Framework (ERMF) which articulates how we manage climate risk through our policies and procedures.
Data risk	Data risk is defined as the risk of failing to effectively govern, manage and control data (including data processed by third party suppliers), leading to unethical decisions, poor customer outcomes, loss of value and mistrust. It is present in all aspects of the business where data is processed, both within the company and by third parties. This risk is measured through a series of quantitative and qualitative indicators, covering data governance, data management, records management, data privacy and ethics. Data risks and controls are monitored and governed in line with an embedded risk management framework, which involves identification, measurement, management, monitoring and reporting.

Section 172(1) Statement

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

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 following matters set out in Section 172(1) of the Act when fulfilling their duty to promote the success of the Company, under Section 172 of the Act.

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

How the Board has discharged its Section 172 duties

The Company’s Directors are briefed, on appointment and on an ongoing basis, on their statutory director duties and the standards required of subsidiary directors within Lloyds Banking Group. Stakeholder engagement takes place throughout the Company and the Board engages directly and indirectly with its stakeholders. The Board also undertakes an annual review of its governance arrangements, in particular of the matters it has reserved for its own determination and those for which it has delegated authority to management. The Company’s governance arrangements are designed to enable the Board to provide effective, sound, and entrepreneurial leadership of the Company in line with its strategic aims and prudent and effective controls.

STRATEGIC REPORT (continued)

Section 172(1) Statement (continued)

How the Board has discharged its Section 172 duties (continued)

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

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

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

Investment performance

The Board of the Company is responsible for the strategy of investing customer assets and has established an Investment Committee to focus on the management of investments through review of fund performance and asset allocation. The Board is also supported by its With Profits Committee and gets input from its Independent Governance Committee. The Company's approach to investment management is also supported by the Company's appointed fund manager, Schroder Investment Management (Schroders). The Company, via its Investment Committee, regularly reviews the performance of external asset managers.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group. The shareholder expects a financial return on its investment, which is delivered through dividends. The amount (where relevant) of dividend paid in the year is reported within the Directors' Report. As a wholly owned subsidiary the Board ensures that the strategy, priorities, processes and practices of the Company are aligned where appropriate to those of Lloyds Banking Group, ensuring that its interests as the Company's shareholder are duly acknowledged.

The relationship between the Board of the Company and the Board of Lloyds Banking Group is supported by one Lloyds Banking Group director serving as a Non-executive Director on the Company's Board throughout 2024. The Board of the Company also welcomed the Chief Executive Officer of Lloyds Banking Group to one of its meetings during 2024 for a discussion of the Company's strategy in the context of Lloyds Banking Group's purpose.

Communities and the environment

The Company is supported on environmental matters by its Investment Committee, the majority of whose members are Independent Non-executive Directors. This Committee's purpose is to oversee investment strategy with consideration given to specific opportunities related to sustainability risks including climate, people and societal risk. This includes monitoring the effectiveness of the strategy for meeting stated Net Zero targets.

Lloyds Banking Group's purpose is Helping Britain Prosper by creating a more sustainable and inclusive future for people and business, shaping finance as a force for good.

Insurance, Pensions & Investments (IP&I) is the Lloyds Banking Group business unit to which the Company belongs. It helps millions of customers with their long-term protection, retirement and investment needs. It has a strong heritage, helping customers every day with their diverse and critical needs, including life insurance, pensions, investments and general insurance.

Further information on Lloyds Banking Group's initiatives can be found in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2024, available on the Lloyds Banking Group website.

The Company's Board is responsible for the Company's strategy, including oversight and support for its Environmental, Social & Governance (ESG) strategy and public disclosures. Approval of proposed external commitments in relation to climate risk that materially impact the Company or the Company's funds is reserved to the Board. The IP&I Risk Oversight Committee on behalf of the Board considers the Company's management of climate risk, providing oversight and challenge on those activities which impact on the Company's reputation as a responsible business.

The Company is subject to the requirements of the FCA's Environmental, Social and Governance sourcebook (the sourcebook) and publishes its own entity level TCFD aligned report which complies with the sourcebook requirements. The 2023 report is available on the Scottish Widows website.

STRATEGIC REPORT (continued)

Section 172(1) Statement (continued)

Employees

The Company does not directly employ colleagues, who are employed by other Lloyds Banking Group entities.

Colleague engagement

As part of Lloyds Banking Group, colleagues are asked each year to share their views via surveys. In addition to an annual survey, regular pulse surveys focusing on timely topics give insight into colleague sentiment. Lloyds Banking Group also communicates directly with colleagues in respect of various matters including performance, economic environment and key strategic initiatives.

Diversity

Lloyds Banking Group seeks to create an inclusive environment where everyone feels they can be themselves, standing against all forms of discrimination. Further details of Lloyds Banking Group's diversity targets are set out in its Annual Report and Accounts available on its website.

Regulators

The Company continually engages with regulators and other Government authorities (as part of the wider Scottish Widows Group) to ensure the Company supports and delivers in line with current and developing regulation and legislation. Liaison with regulators and the Government is an ongoing priority at all levels of the organisation. In September 2024 the Board invited representatives from the Prudential Regulation Authority and the Financial Conduct Authority to join its meeting to discuss key priorities. In addition, individual Directors have in the ordinary course of business continuing discussions with regulators on various matters within the regulatory agenda.

Government and industry bodies

The Company, via members of its management, engages with government and key industry bodies in order to contribute to shaping policy.

Modern slavery

The Responsible Business Committee of the Board of Lloyds Banking Group, as part of its oversight of its performance (including that of the Company) as a responsible business, governs the approach to human rights. Lloyds Banking Group's Human Rights Position Statement can be found on the Lloyds Banking Group website.

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

Lloyds Banking Group's Modern Slavery & Human Trafficking Statement covers all its subsidiary companies and sets out the steps taken to prevent modern slavery in Lloyds Banking Group's business and supply chains.

IP&IExCo governs (and approves) this Statement as it relates to the Company. The statement is published on the Scottish Widows website.

Maintaining a reputation for high standards of business conduct

The Board supports the Chief Executive to ensure a culture of customer focus, responsible business conduct, with risk awareness and ethical behaviours. As part of the Board's oversight of this, the Board will where necessary seek assurance from management that steps have been taken to ensure that policy and behaviours are aligned to the purpose, value, and strategy of the wider Insurance business.

On behalf of the Board of Directors

S T Nyahasha

Director

26 March 2025

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company, an unlimited liability Company domiciled and incorporated in the United Kingdom, whose principal activity is that of an intermediate holding company. The Company is a wholly owned subsidiary of SWG.

Results for the year

The result of the Company for the year ended 31 December 2024 is a profit after tax of £51.9 million (2023: profit after tax of £50.2 million) and this has been transferred to reserves. The result for the year reflects dividend income from subsidiaries and investment income partially offset by impairment charges on the valuation of subsidiaries. The Directors consider the result for the current year to be satisfactory in light of the activities of the Company and its subsidiaries and the prevailing economic climate. The total net assets of the Company at 2024 are £173.5 million (2023: total net assets £192.7 million).

During the year, dividends of £71.0 million were paid (2023: £50.0 million). No final dividend is proposed in respect of the year ended 31 December 2024 (2023: £nil).

Capital Reduction

In December 2024, the Board approved a Resolution to reduce the share capital of the Company to £0.01 by cancelling and extinguishing 99,999,999 ordinary shares of £0.01 each. The Resolution also approved the cancellation of the full balance of £375,000 of share premium. Both amounts have been credited to retained earnings.

Directors

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

M H Cuhls	(Appointed 1 January 2024)
M R Downie	(Resigned 15 January 2024)
S T Nyahasha	(Appointed 15 January 2024)
K A Cooper	(Appointed 1 March 2024)
A J Reizenstein	(Resigned 30 June 2024)
P G McNamara	(Appointed 2 September 2024)
D L Davis	(Resigned 18 March 2025)

Particulars of the Directors' emoluments are set out in note 14.

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 indemnity during that period of service.

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

Disclosure of information to 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

Future developments

Future developments are detailed within the Company's Strategic Report and in note 16.

Post balance sheet events

On 20 March 2025, HBOS Financial Services Limited declared a dividend payment of £25 million. This was paid to the Company on 25 March 2025.

Following receipt of this dividend, an interim dividend to Scottish Widows Group Limited of £25 million will be approved on 26 March 2025, alongside approval of the accounts.

DIRECTORS' REPORT (continued)

Going concern

The going concern of the Company is dependent on successfully maintaining adequate levels of capital and liquidity. In order to satisfy themselves that the Company have adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management section (note 13). Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Financial risk management

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

Independent auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic Reports 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;
- state whether for the Company, UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Strategic Report on pages 4 to 8, and the Directors' Report on pages 9 to 10 include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

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

On behalf of the Board of Directors

S T Nyahasha

Director

26 March 2025

Independent auditor's report to the members of Scottish Widows Financial Services Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Widows Financial Services Holdings (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit 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 cash flows; and
- the related notes 1 to 17

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Scottish Widows Financial Services Holdings Limited (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 tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Scottish Widows Financial Services Holdings Limited (continued)

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:

- 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, reviewing internal audit reports and reviewing correspondence with HMRC and the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Charlie Scarr, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

London, United Kingdom

26 March 2025

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Revenue			
Investment income	3	455	300
Income from shares in subsidiary undertakings		71,770	50,000
Total revenue		72,225	50,300
Expenses			
Impairment of subsidiary undertakings	7	(20,257)	—
Finance costs	4	—	(2)
Total expenses		(20,257)	(2)
Profit before tax		51,968	50,298
Taxation charge	6	(114)	(70)
Profit for the year		51,854	50,228

There are no items of comprehensive income which have not already been presented in arriving at the profit 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 18 to 28 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	**2024 £'000**	**2023 £'000**
ASSETS			
Investment in subsidiaries	7	167,892	188,149
Other assets		21	90
Cash and cash equivalents	8	5,746	4,522
Total assets		173,659	192,761
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	9	—	1,000
Share premium	9	—	375
Retained profits	10	173,545	191,316
Total equity		173,545	192,691
Liabilities			
Current tax liabilities	6	114	70
Total liabilities		114	70
Total equity and liabilities		173,659	192,761

The notes set out on pages 18 to 28 are an integral part of these financial statements.

The financial statements on pages 14 to 28 were approved by the Board on 26 March 2025 and signed on behalf of the Board.

S T Nyahasha

Director

26 March 2025

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before tax		51,968	50,298
Adjusted for:			
Investment income	3	(455)	(300)
Income from shares in subsidiary undertakings		(71,770)	(50,000)
Impairment in investment in subsidiary	7	20,257	—
Net decrease/(increase) in operating assets	11	69	(79)
Corporate income taxes paid		(70)	(11)
Net cash flows paid from operating activities		(1)	(92)
Cash flows from investing activities			
Investment income received	3	455	300
Dividends received		71,770	50,000
Net cash flows generated from investing activities		72,225	50,300
Cash flows from financing activities			
Dividends paid	12	(71,000)	(50,000)
Net cash flows (used in)/generated from financing activities		(71,000)	(50,000)
Net increase in cash and cash equivalents		1,224	208
Cash and cash equivalents at the beginning of the year		4,522	4,314
Net cash and cash equivalents at the end of the year	8	5,746	4,522

The notes set out on pages 18 to 28 are an integral part of these financial statements.

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

	Note	Share capital £'000	Share premium £'000	Retained profits £'000	Total equity £'000
Balance as at 1 January 2023		1,000	375	191,088	192,463
Total comprehensive income for the year		—	—	50,228	50,228
Dividend	10, 12	—	—	(50,000)	—
Balance as at 31 December 2023		1,000	375	191,316	192,691
Capital reduction		(1,000)	(375)	1,375	—
Total comprehensive income for the year		—	—	51,854	51,854
Dividend	10, 12	—	—	(71,000)	(71,000)
Balance as at 31 December 2024		0	0	173,545	173,545

All of the above amounts are attributable to the equity holder of the Company.

The above amounts are further referred to in note 9 (Share capital and premium) and note 10 (Retained profits).

The notes set out on pages 18 to 28 are an integral part these financial statements.

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

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

(1) in accordance with 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 are satisfied that the Company have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

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

As the Company is a wholly owned subsidiary undertaking of Lloyds Banking Group, registered in the United Kingdom, the Company has taken advantage of the provisions under section 400 of the Companies Act 2006 and has not produced consolidated financial statements.

Standards and interpretations effective in 2024

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

Future accounting developments

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 improvement and amendments are not expected to have a significant impact on the Group or Company.

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

(b) Revenue recognition

Investment income

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

Dividend income

Dividend income in respect of the Company’s investments in subsidiary undertakings is recognised when the right to receive the dividend is established. All dividends received are recognised through the statement of comprehensive income, within income from shares in subsidiary undertakings.

(c) Investments in subsidiaries

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

(d) Cash and cash equivalents

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

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

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

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

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

1. Accounting policies (continued)

(e) Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

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

(f) Taxation, including deferred income taxes

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

Current tax 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.

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

1. Accounting policies (continued)

(f) Taxation, including deferred income taxes (continued)

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.

(g) 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.

Dividends payable

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

2. Critical accounting judgements or key sources of estimation uncertainty

The Company's management makes estimates 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 significant accounting estimates or judgements that have been used in the preparation of these financial statements.

3. Investment income

	2024 £'000	2023 £'000
Interest receivable on investments in a liquidity fund	455	300
Total	455	300

4. Finance costs

	2024 £'000	2023 £'000
Bank charges	—	2
Total	—	2

5. Auditor's remuneration

	2024 £'000	2023 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	21	21
Total fees payable	21	21

Audit fees for 2024 and 2023 were paid by another Company within Lloyds Banking Group and were not recharged to the Company.

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

6. Taxation charge

(a) Analysis of charge for the year

	2024 £'000	2023 £'000
UK corporation tax		
Current tax on taxable profit for the year	114	70
Total current tax charge	114	70

(b) Reconciliation of tax charge

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below.

	2024 £'000	2023 £'000
Profit before tax	51,968	50,298
Tax charge at 25% (2023: 23.5%)	12,992	11,820
Factors affecting charge:		
Impairment of subsidiary	5,064	—
Non-taxable items	(17,942)	(11,750)
Total tax charge	114	70
Effective rate	0.22 %	0.14 %

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.

(c) Tax liabilities

	2024 £'000	2023 £'000
Current tax liabilities	114	70
Total tax liabilities	114	70

7. Investment in subsidiaries

	2024 £'000	2023 £'000
At 1 January	188,149	188,149
Impairment of investment in subsidiaries	(20,257)	—
At 31 December	167,892	188,149

An impairment charge of £20,257,000 has been recognised during 2024 (2023: £nil) in respect of HBOS International Financial Services Holdings Ltd.

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

7. Investment in subsidiaries (continued)

A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis. In both 2023 and 2024 the carrying value was compared to the net asset value and no value-in-use calculations performed.

Subsidiaries and Associates

All entities are wholly-owned, directly or indirectly, and transact investment management activities or services in connection therewith. Following are particulars of the Company's subsidiaries and associates:

SW Funding plc	(1)	Legacy Renewal Company Limited	(4)
HBOS Financial Services Limited	(2)	HBOS International Financial Services Holdings Limited*	(5)
Halifax Financial Services (Holdings) Limited	(3)	Clerical Medical Finance plc	(2)
HBOS Investment Fund Managers Limited	(3)	Clerical Medical Financial Services Limited*	(5)
Halifax Financial Brokers Limited	(3)	Pensions Management (S.W.F.) Limited	(1)
Clerical Medical Investment Fund Managers Limited	(3)	Scottish Widows Unit Funds Limited	(1)
Halifax Financial Services Limited	(3)		

* In liquidation

The investments in subsidiaries included above are generally recoverable more than one year after the reporting date.

Subsidiaries and Associates

Registered office addresses

(1) The Mound, Edinburgh, Midlothian, EH1 1YZ

(2) 33 Old Broad Street, London, EC2N 1HZ

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

(4) Bank of Scotland, The Mound, Edinburgh, EH1 1YZ

(5) 1 More London Place, London, SE1 2AF

8. Cash and cash equivalents

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

	2024 £'000	2023 £'000
Investment in a liquidity fund	5,746	4,522
Total	5,746	4,522

The Company has a corporate bank account with a balance of £nil at 31 December 2024 (2023: £nil). The Company has an overdraft facility of £500,000 of which nil was utilised at the year end (2023: £nil).

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

9. Share capital and premium

	2024 £'000	2023 £'000
Issued and fully paid share capital:		
1 (2023: 100,000,000) Ordinary shares of £0.01	—	1,000
Share premium	—	375
Total	—	1,375

In December 2024, the Board approved a Resolution to reduce the share capital of the Company to £0.01 by cancelling and extinguishing 99,999,999 ordinary shares of £0.01 each. The Resolution also approved the cancellation of the full balance of £375,000 of share premium. Both amounts have been credited to retained earnings.

10. Retained profits

	Other reserves £'000	Accumulated losses and retained earnings £'000	Total retained profits £'000
Balance as at 1 January 2023	1,032,213	(841,125)	191,088
Total comprehensive income for the year	—	50,228	50,228
Dividend	(50,000)	—	(50,000)
Balance as at 31 December 2023	982,213	(790,897)	191,316
Total comprehensive income for the year	—	51,854	51,854
Capital reduction		1,375	1,375
Dividend	(71,000)	—	(71,000)
Balance as at 31 December 2024	911,213	(737,668)	173,545

On 16 December 2004, the Company was re-registered as a private unlimited company to allow its share capital to be reduced without resorting to court proceedings and subsequently altered its capital structure. The share capital of the Company was reduced by £5,846,000,000 through the cancellation of 584,600,000,000 issued redeemable ordinary shares of 1p each. An amount of £4,763,787,000 was transferred from share capital to the profit and loss reserves of the Company and the remaining £1,082,213,000 was transferred from share capital to other reserves.

In 2016, the Board approved a Resolution to make other reserves distributable. This reserve is therefore available for future distributions.

In 2024 a dividend of £71,000,000 was paid from other reserves. As at 31 December 2024, the other reserves balance was £911,213,000 (2023: £982,213,000).

11. Net (decrease)/ increase in operating assets

	2024 £'000	2023 £'000
Net (decrease)/ increase in operating assets		
Financial assets:		
Loans and receivables at amortised cost	(69)	11
Net (decrease)/ increase in operating assets	(69)	11

12. Dividends paid

	2024 £'000	2023 £'000
Total dividends paid on equity shares	—	—

The Company paid a dividend of £71.0 million from Other reserves during the year ended 31 December 2024 (2023: £50.0 million). The dividend paid in the year amounted to £71.0 million per share (2023: £0.50 per share).

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

13. Risk management

The Company acts as an intermediate holding company.

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

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

13. Risk management (continued)

(a) Market risk

Market risk is defined as the risk that the Company's capital or earnings profile is affected by adverse market rates.

The main investments of the Company are the holdings in subsidiary companies, which are set out in note 7. Holdings of individual assets are essentially interest bearing, and are covered further below.

Investments in liquidity funds are categorised as level 1 in the fair value hierarchy.

(b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. Interest rate risk arises in respect of cash balances which are invested in a cash fund.

(c) Credit risk

The risk that parties with whom we have contracted fail to meet their financial obligations. The Company holds investments in a liquidity fund of £5.7 million (2023: £4.5 million), with a credit rating of A using Standard & Poor’s rating or equivalent. Credit risk in respect of these balances is not considered to be significant. There were no past due or impaired financial assets at 31 December 2024 (2023: none). No terms in respect of financial assets had been renegotiated at 31 December 2024 (2023: none).

(d) 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 are to ensure that sufficient capital is available to safeguard the Company’s ability to continue as a going concern so that it can continue to provide a return to the shareholder.

The Company manages the capital structure and makes adjustments to reflect changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets.

The Company’s capital comprises all components of equity £173.5 million (2023: £192.7 million), movements in which are set out in the statement of changes in equity.

(e) Liquidity risk

Liquidity risk is defined as the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from the inability to generate cash inflows as anticipated.

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

In order to measure liquidity risk exposure the Company’s liquidity is assessed in a stress scenario. Liquidity risk is actively managed and monitored to ensure that, even under stress conditions, the Company has sufficient liquidity to meet its obligations and remains within approved risk appetite. Liquidity risk appetite considers two time periods; three month stressed outflows are required to be covered by primary liquid assets; and one year stressed outflows are required to be covered by primary and secondary liquid assets. The Company holds primary liquid assets in the form of cash.

The Company has only had taxation liabilities in both current and prior year. There are no other liabilities at 2024 or 2023 year end.

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

As at 31 December 2024

		Contractual cash flows					
Liabilities	**Carrying amount £'000**	**No stated maturity £'000**	**Less than 1 month £'000**	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**More than 5 years £'000**
Tax liabilities	114	—	—	—	114	—	—
Total	114	—	—	—	114	—	—

13. Risk management (continued)

As at 31 December 2023

		Contractual cash flows					
Liabilities	**Carrying amount £'000**	**No stated maturity £'000**	**Less than 1 month £'000**	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**More than 5 years £'000**
Tax liabilities	70	—	—	—	70	—	—
Total	70	—	—	—	70	—	—

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

14. Related party transactions

(a) Ultimate parent and shareholding

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

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these financial statements. Once approved, copies of the consolidated Annual Report and 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 with other Lloyds Banking Group companies

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

	2024				
	Income during year	Expenses during year	Payable at year end	Receivable at year end	Dividend paid
	£'000	£'000	£'000	£'000	£'000
Relationship					
Parent	—	—	—	—	71,000
Subsidiary	71,770	—	—	—	—
Other related parties	—	—	—	—	—

	Income during year	Expenses during year	Payable at year end	Receivable at year end	Dividend paid
	£'000	£'000	£'000	£'000	£'000
Relationship					
Parent	—	—	—	—	50,000
Subsidiary	50,000	—	—	—	—
Other related parties	—	—	—	—	—

In addition to the balances disclosed in the table, balances of £5,746,145 (2023: £4,521,624) and income of £454,815 (2023: £300,001) in funds controlled by Lloyds Banking Group meet the definition of related parties. The above balances are unsecured in nature and are expected to be settled in cash.

Transactions between the Company and entity employing key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and IP&IExCo members. Key management personnel, as defined by IAS 24, are employed by a management entity, transactions with this entity are as follows:

	2023	2023
	£	£
Short-term employee benefits	348,597	311,009
Post-employment benefits	3,892	1,972
Share-based payments	135,490	51,527
Total	487,979	364,508

Included in short term employee benefits is the aggregate amount of emoluments paid to or receivable by Directors in respect of qualifying services of £157,484 (2023: £168,686).

There were no retirement benefits accruing to Directors (2023: no Directors) under defined benefit pension schemes. Two Directors (2023: no Directors) are paying into a defined contribution scheme. There were £1,756 of contributions paid to a pension scheme for qualifying services (2023: nil).

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

14. Related party transactions (continued)

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

The aggregate amount of money receivable and the net value of assets received/receivable under share based incentive schemes in respect of Directors qualifying services was £94,437 (2023: £31,225). During the year, no Directors exercised share options (2023: no Directors) and two Directors received qualifying service shares under long term incentive schemes (2023: one Director). Movements in share options are as follows:

	2024 Options	2023 Options
Outstanding at 1 January	**635,154**	**765,198**
Outstanding balance of directors newly appointed in period	54,171	105,563
Granted	679,808	442,956
Exercised	(323,352)	(218,844)
Forfeited	(7,304)	(264,161)
Outstanding balance of directors resigned in period	(48,253)	(195,557)
Outstanding at 31 December	**990,224**	**635,154**

Detail regarding the highest paid Director is as follows:

	2024 £	2023 £
Apportioned aggregate emoluments	45,711	53,266
Apportioned share-based payments	51,561	11,891

The highest paid Director did not exercise share options during the year. (2023: The highest paid Director did not exercise share options during the year).

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

15. 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 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 that this is 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 current tax liabilities for the Company of approximately £203,000 (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.

16. 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 improvement and amendments are not expected to have a significant impact on the Group or 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.

17. Post balance sheet events

On 21 March 2025, HBOS Financial Services Limited declared a dividend payment of £25 million. This was paid to the Company on 25 March 2025.

Following receipt of this dividend, an interim dividend to Scottish Widows Group Limited of £25 million will be approved on 26 March 2025, alongside approval of the accounts.