SC199547

Scottish Widows Group Limited

Annual Report and Accounts
2024

Member of Lloyds Banking Group

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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

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Company Registration Number

SC199547

STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Group Limited ('the Company') for the year ended 31 December 2024. The Company is registered in Scotland and is a private company limited by share capital.

The Company contributes to the results of the Insurance, Pensions & Investments ('IP&I') division of Lloyds Banking Group plc. Scottish Widows was founded in 1815, and since then we have been focused on helping customers protect themselves today whilst preparing for a secure financial future. Our objective is to be the best insurance and retirement savings business for customers; providing simple, trusted, value for money products accessible through our customers' preferred channels.

Principal Activities

The Company's principal activity is that of a holding company. Its four directly owned subsidiaries are Scottish Widows Limited, Lloyds Bank General Insurance Holdings Limited, Scottish Widows Financial Services Holdings Limited and Embark Group Limited.

The Company has an interest in the life assurance and pensions sector through its investments in Scottish Widows Limited and Embark Group Limited; and general insurance through its investment in Lloyds Bank General Insurance Holdings Limited.

Specific risks are addressed in the financial statements of individual subsidiary companies and items identified in these financial statements summarise these. For example, the Company does not have direct dealings with customers or employees other than through its subsidiaries.

Result for the Year

The result for the year ended 31 December 2024 is a profit after tax of £1,054.7 million (2023 profit after tax: £239.2 million). The year on year increase is primarily due to a £828m increase in dividends received from subsidiaries. Total equity for the Company decreased by £91.6 million to £9,816.5m (2023: £9,908.1 million), primarily as a result of a £300 million subordinated debt repayment and £846.3 million of dividends paid in the year, partially offset by current year profit and £1,113.0 million of dividend income.

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 Company's level. 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.

Governance

Given the strategic importance in managing the impacts of climate change, the Company's governance structure provides clear oversight and ownership of the sustainability strategy and management of climate-related risk.

Governance for climate-related risk has been embedded into the existing governance structure and is complementary to the governance of Lloyds Banking Group's sustainability strategy. The Insurance Board as a whole is responsible for sustainability within IP&I. In 2023, the IP&I Board's Sustainability Committee's remit for sustainability and responsible investment was transitioned and embedded within the responsibilities of the Board and its other committees, including a newly established IP&I Board Investment Committee, following which the Insurance Sustainability Committee was decommissioned. In 2024, the Board of Directors decommissioned the Responsible Business Executive Committee, supporting the transfer of its sustainability and responsible investment responsibilities within the broader Insurance Board and IP&I executive committee governance.

The Company has a well-established and robust risk management framework used to identify, measure, monitor, manage and report the risks faced by the business. Climate risk is managed using this framework, consistent with all other risks.

STRATEGIC REPORT (continued)

Climate Change (continued)

Governance (continued)

Climate risk is a key area of focus for the Company,specifically the risk of experiencing losses and/or reputational damage, either from the impacts of climate change and the transition to net zero or as a result of the Company's response to tackling climate change. The impacts from climate risk largely manifest through other principal risks that the Company faces, therefore consideration of climate-related risk is integrated into some of our wider risk management processes. The Company's principal risks and uncertainties are discussed further on pages 6 and 7.

Strategy

The Company’s position as the parent company of large investor companies presents an opportunity to participate in and influence the transition to a low carbon economy for the long-term benefit of customers and society. The Company has set goals to target a 50 per cent reduction in the carbon intensity (across the investment portfolio of customer and shareholder funds) by 2030 on a path to ‘net zero’ by 2050. Figures for year end 2024 will be finalised and published by 30 June 2025 on the Scottish Widows website (at www.scottishwidows.co.uk/climatereport). As at the end of 2023, the SWG carbon footprint was 64.7 tCO_2/£m, down from our 2019 baseline of 116.1 tCO_2/£m. The carbon footprint has continued to decline from 2019 to 2023. Whilst investee company emissions have declined, most notably in 2020 because of reduced production and energy usage during the Covid pandemic, company market values have increased by more in 2023 which has led to a further reduction in the footprint. The Group also backs climate solutions for real-world impact, and the use of engagement and shareholder voting power to drive companies to make the changes necessary. Further detail can be found in the Scottish Widows Climate Action Plan, published in February 2022, available at www.scottishwidows.co.uk/about_us/responsibleinvestment. The Scottish Widows section of the Lloyds Banking Group Sustainability Report, available on the Lloyds Banking Group website at www.lloydsbankinggroup.com/investors/esg-information, outlines the progress we have made towards our Climate Action Plan.

Climate related scenario analysis is an evolving area that is important to the business and will be used to produce outputs that aid the understanding of Climate Risk and support decision making. The Group has developed a climate scenario analysis model to inform such insight. We regularly review our strategy using scenario analysis to assess its resilience. While climate science itself is very well developed, any analysis of the economic and financial impacts of climate risk involves a measure of subjectivity and simplification, so there is a relatively wide margin of uncertainty in these impacts. This type of modelling is therefore only one of several components of our climate risk management process and is not acted upon in isolation.

Metrics & Targets

Climate-related metrics form part of the Company's regular reporting to the Board, not just for disclosures but also for internal risk management. Expanded internal metrics are regularly reported for monitoring progress of the net zero transition.

The portfolio’s “carbon footprint” is the principal metric for measuring financed emissions and monitoring progress toward the 2030 and 2050 net zero targets. The footprint is the total tonnes of carbon dioxide equivalents (CO2e) “owned” by the portfolio and scaled by £million invested. Measurement initially includes the Scope 1 and 2 (i.e. operational) emissions of investee companies.

Key performance indicators

The Company’s principal business during the year was the holding of investments in subsidiaries. Its principal income is the receipt of dividends from these subsidiaries. During the year the Company received total dividend income of £1,113.0 million (2023: £285.0 million) from the following entities: Scottish Widows Limited £917.0 million (2023: £100.0 million), Lloyds Bank General Insurance Holdings Limited £125.0 million (2023: £135.0 million) and Scottish Widows Financial Services Holdings Limited £71.0 million (2023: £50.0 million).

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

Solvency II

Implementation of the Solvency UK Reforms was completed in 2024. From 31 December 2024 the Solvency UK framework replaces Solvency II in the UK, enhancing certain areas of regulation for Insurance companies. There was minimal financial impact to the Company from implementation of the Solvency UK reforms in 2024. For clarity and in line with Policy Statement PS15/24 from the PRA, we will continue to use the term "Solvency II" as modified by the PRA’s 2024 reforms instead of "Solvency UK" throughout.

During the year, the Company has delivered Solvency II reporting including full annual quantitative reporting as at 31 December 2024, as well as the narrative reporting required by Solvency II. The Company has a waiver from the Prudential Regulation Authority (PRA) exempting it from preparing a solo Solvency and Financial Condition Report (SFCR) for each Insurance entity. Instead, in April 2024, the Company reported publicly through a Group SFCR for Scottish Widows Group Limited. The next SFCR will be published in April 2025.

The Directors believe that the Company currently has adequate capital resources and will continue to do so in the foreseeable future.

STRATEGIC REPORT (continued)

Key performance indicators (continued)

The Company is designated as the Solvency II holding company for the Scottish Widows Group ('SWG') Solvency II group. On a Solvency II basis, the regulatory surplus of the SWG Solvency II group in excess of capital requirements is £1.7 billion (2023: £2.4 billion). The Solvency II ratio for SWG Solvency II group of 149 per cent (2023: 184 per cent) represents the shareholder view of Solvency II surplus.

Other Sources where KPIs are presented

The Company is the main holding company for the IP&I division. The development, performance and position of the IP&I division are presented within Lloyds Banking Group's Annual Report, which does not form part of this report.

Review of the business

In addition to the progress made against the strategic initiatives summarised earlier there are other areas that are worthy of note and these are described below. Decisions taken in the areas described below and in pursuit of our strategy are brought to the Board for due consideration and approval.

Investment in subsidiaries

Following an impairment review of the carrying values of subsidiary companies, a charge of £20.3 million has been made to comprehensive income (2023: £nil).

Outlook

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

Principal risks and uncertainties

The Company through its investment in subsidiaries is also exposed to financial risk, in particular the risk of financial loss arising from 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 9.

The following table describes the principal risks faced by the Company through its investment in subsidiaries. Further details on financial risks and how the Company mitigates them can be found in note 19, as shown by the note reference.

Financial risks

Principal Risk	Note reference	Description
Market risk	19(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	19(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	19(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	19(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. 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.
Data risk	Data risk is defined as the risk of failing to effectively govern, manage and control data (including data processed by third party suppliers), leading to unethical decisions, poor customer outcomes, loss of value and mistrust. It is present in all aspects of the business where data is processed, both within the company and by third parties. This risk is measured through a series of quantitative and qualitative indicators, covering data governance, data management, records management, data privacy and ethics. Data risks and controls are monitored and governed in line with an embedded risk management framework, which involves identification, measurement, management, monitoring and reporting.
Climate risk	Climate risk is defined as the risk that the 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.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders

The Board is collectively responsible for the long-term success of the Company. Understanding the views and interests of its key stakeholders (this includes customers, shareholders, communities and environment, regulators, and suppliers), is central to the Company's strategy, and informs key aspects of Board decision-making as set out in this Statement. Stakeholder engagement is embedded within 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') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), 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.

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 8 to 11 which serves as the Company's Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Customers

In considering and approving matters reserved to it (or any other matters) the Board of the Company ensures that customer needs, engagement and outcomes are paramount. In 2024 the Company, through its subsidiaries, served a variety of customers and acted in ways designed to deliver good outcomes for customers, with products and services designed to meet their needs, that provide fair value, help customers achieve their financial objectives and which do not cause them harm. Customer interests are central to culture and purpose.

The Board reviews the performance of its customer propositions within a cycle of in-depth reviews and debates matters particular to each proposition. Board review, discussion and challenge in 2024 has covered:

- customer service design and performance;
- digital landscape and policy migration to modern systems;
- the interactive Customer Waterfront that aims to democratise Wealth & Retirement planning by offering a single, digital window through which customers can meet all their future financial needs;
- product suite and design evolution to meet changing customer needs;
- the effectiveness of the different customer engagement and distribution channels to do business with the Company;
- Brand strategy modernisation adding energy and digital centricity; and
- Trustpilot scores, which the Board viewed as a priority to develop customer trust and which improved significantly throughout 2024.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

The Board, supported by various committees (including the Independent Governance and With Profits Committees) challenges management from the perspective of the customer. The Board also puts customers at the heart of its development of future business strategy.

The Board's Risk Oversight Committee ('ROC') monitors the operational performance of customer services, including both those services delivered in-house and the performance of third-party service partners. ROC reviews detailed customer-related risk matters and scrutinises risk performance (including Complaints and Conduct Risk Appetite Metrics) to identify areas where improvements could be made.

Consumer Duty

During the year, the Board continued to embed the Company's implementation of the Financial Conduct Authority's (FCA) Consumer Duty regime which, since July 2024, was extended to customers in closed book products. Consumer Duty aims to strengthen how the Company delivers good customer outcomes. The Board was pleased with progress made on the development of a new Consumer Duty management reporting dashboard. There is a strong alignment between Lloyds Banking Group's purpose, values and existing customer-centric approach and regulatory purpose, both aiming to support customers to achieve their financial objectives while preventing customer harm.

The Board received several updates during 2024 on Consumer Duty, tracking the steps being taken by management (at the Board's direction) to embed the Company's approach to Consumer Duty and review of how the Board's obligations had been discharged.

The Board has nominated one of its Directors to be Consumer Duty Champion (Champion) for the Company. Their purpose is to facilitate discussion and articulate Board level challenge as appropriate. During 2024 the Champion has spearheaded Board challenges on customer issues including journey metrics. The Champion has also assisted the Board's understanding of management information and helped to further develop its presentation. The Board has responsibility for the independence, autonomy and effectiveness of the relevant Group policies and procedures on Consumer Duty, including the procedures for delivery of good outcomes for customers.

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 managers, Schroder Investment Management (Schroders) and BlackRock. 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.

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.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

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 2024 report is available on the Scottish Widows website.

Responsible Investment & Stewardship

In 2024 Scottish Widows published its latest Responsible Investment & Stewardship Report to outline the progress made in 2023 to deliver on plans to benefit customers' investments and broader society. Scottish Widows' information hub also contains research reports on other key topics to help inform responsible investment and better understand customers' views and priorities in ESG matters. A refresh of the Responsible Investments Framework was undertaken by the Board's Investment Committee in Q4 2024.

Scottish Widows' Climate Action Plan is to halve the carbon footprint of investments by 2030 on the path to Net Zero emissions by 2050.

As a significant shareholder in many of the world's major quoted companies, Scottish Widows has the right to vote on their policies and business practices. To help the Company, and the investment managers it works with, Scottish Widows has produced detailed Voting Guidelines.

Further detail on Scottish Widows responsible investment and stewardship initiatives, including published reports, can be found on the Scottish Widows website.

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 is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. 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.

Suppliers

The Company is part of Lloyds Banking Group and has entered into strategic partnerships for important aspects of its operations and customer service provision. As well as external partners, the Company relies on intra-group supplier arrangements for certain services. The Board delegates to management the primary responsibility of oversighting external supplier relationships. Throughout 2024 the Board has held management to account for the performance of supplier relationships, including for third-party provision of customer servicing.

STRATEGIC REPORT (continued)

Section 172(1) Statement and Statement of Engagement with Other Stakeholders (continued)

The advantage of being part of a larger group means there are robust processes in place to monitor and review costs with third parties who provide services to the Company. The outsourced business model means competitive fees and commercial terms can be negotiated with service suppliers and control costs for all customers. Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group's Sourcing & Supply Chain Management Policy applies to all its business units, divisions and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for the application of that policy in a way that is appropriate for the Company. This ensures the most significant supplier contracts receive approval of the Board, including those which are key in progressing strategic priorities. The framework also ensures appropriate management oversight of supplier spending not considered by the Board, allowing challenge to be made where appropriate, and minimising risks and unnecessary cost.

Suppliers are required to adhere to relevant Lloyds Banking Group policies and comply with its Code of Supplier Responsibility, which can be found on the Lloyds Banking Group website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and Lloyds Banking Group to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Lloyds Banking Group remains committed to collaborating with suppliers to tackle climate change and ensure it is embedded within strategy and governance of its organisations. Reducing suppliers' emissions is a key component of its sustainability strategy. Lloyds Banking Group's Emerald Standard asks suppliers to work towards and help drive progress towards a lower carbon future.

Modern slavery

The Responsible Business Committee of the Board of Lloyds Banking Group, as part of its oversight of its performance (including that of the Company) as a responsible business, governs 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.

The IP&I Executive Committee 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. The Company is a wholly owned subsidiary of Lloyds Banking Group plc.

Results and dividend

The result for the year ended 31 December 2024 is a profit after tax £1,054.7 million (2023 profit after tax: £239.2 million). The result for the year reflects £1,113.0 million income from shares in subsidiaries (2023: £285.0 million) and £13.0 million investment income (2023: £8.0 million), partially offset by an impairment charge of £20.3m in relation to the valuation of subsidiaries.

The Directors consider this result to be satisfactory in light of the activities of the Company during the year.

During the year, £846.3 million of dividends (2023: £191.2 million) were paid. The Directors recommend no payment of a final dividend in respect of the year ended 31 December 2024 (2023: £nil). Details of dividends paid during the year are given in note 18.

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 20.

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 Company has in place appropriate Directors' and Officers' Liability Insurance cover which was in place throughout the financial year.

Future developments

Future developments are detailed within the Company's Strategic Report and also in note 22.

Employees

Lloyds Banking Group is committed to providing employment practices and policies which recognise the diversity of the workforce and ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief. In the UK, Lloyds Banking Group belongs to the major employer groups campaigning for equality for all staff, including Employers' Forum on Disability, Employers' Forum on Age and Stonewall. Lloyds Banking Group is also represented on the Board of Race for Opportunity and the Equal Opportunities Commission. Involvement with these organisations enables Lloyds Banking Group to identify and implement best practice for staff.

Lloyds Banking Group encourages and gives full and fair consideration to job applications from people with a disability and are unbiased in the way it assesses, selects, appoints, trains and promotes people. Lloyds Banking Group encourages job applications from those with a disability and continues to run a work experience programme with Remploy to support people with disabilities wanting to enter the workplace.

Lloyds Banking Group is committed to continuing the employment of, and for arranging appropriate training for, its employees who have become disabled persons during the period when they were employed by the Company.

DIRECTORS' REPORT (continued)

Employees (continued)

Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings, internal communications and opinion surveys. These meetings, briefings and internal communications also serve to achieve a common awareness of the financial and economic factors that affect the performance of the Company and the Group. There are well-established procedures, including regular meetings with recognised unions, to ensure that the views of employees are taken into account in reaching decisions. Schemes offering share options or the acquisition of shares are available for most staff, to encourage their financial involvement in Lloyds Banking Group.

The Company has no employees as colleagues are employed by other subsidiaries within Lloyds Banking Group.

Corporate Governance Report

Approach to Corporate Governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), for the year ended 31 December 2024 the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the 'Principles'). The following section explains the Company's approach to corporate governance, and its application of the Principles.

Fundamental to the Company's strategy are high standards of corporate governance. A Corporate Governance Framework is in place for the Company, which sets the approach and applicable standards in respect of the Company's corporate governance arrangements whilst addressing the matters set out in the Principles.

This includes the matters reserved to the Board, and the matters the Board has chosen to delegate to management, including decision-making on operational matters such as those relating to credit, liquidity and the day-to-day management of risk, and the governance requirements of the operation of the Company outside of Lloyds Banking Group's Ring-Fenced Bank. Governance arrangements, including the Corporate Governance Framework, are reviewed at least annually to ensure they remain fit for purpose. The Corporate Governance Framework of the Company further addresses the requirements of the Principles as follows:

Principle One – Purpose and Leadership

The Company carries out long-term insurance business and associated investment activities in the UK, offering a range of life and pensions products distributed through intermediaries, LBG and directly. The Board is collectively responsible for the long-term success of the Company, generating value for shareholders, embedding a culture of customer focus and contributing to wider society, by directing the Company's affairs. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group, and overseeing delivery against it. The Board also assumes responsibilities for the management of the culture, values and wider standards of the Company, within the relevant standards set by Lloyds Banking Group.

Consideration of the needs of stakeholders is fundamental to the Company's operation, as is adherence to the conduct standards/rules set by regulators as applicable to the Board, including Consumer Duty. The Company's approach is influenced by its aim to build a culture of customer focus, risk awareness, appreciation of climate and sustainability matters and ethical behaviour. The Board (supported by one or more of its Committees) plays a lead role in establishing, promoting and monitoring the Company's corporate culture and values, with the Corporate Governance Framework ensuring such matters receive the appropriate level of prominence in Board and Executive decision-making. The Company's corporate culture and values align to those of Lloyds Banking Group, which are discussed in more detail in the Lloyds Banking Group annual report and accounts for 2024.

Principle Two – Board Composition

The Company is led by a Board comprising a Chair, Independent Non-Executive Directors, other Non-Executive Directors and Executive Directors; further details of the Directors can be found on page 3. All directors have equal voting rights. The roles of Chair and Chief Executive are separate. The Board reviews its composition regularly and is committed to ensuring it has the right balance of skills and experience. The Board considers its current size and composition is appropriate to the Group's circumstances.

The Board is led by its Chair who is responsible also for ensuring the Board's overall effectiveness in directing the Company. The Chair is pivotal in creating the conditions under which the Group's Board and individual directors operate. The Chair is responsible for setting clear expectations concerning the style and tone of Board discussions and for ensuring decision-making processes are effective and sufficiently challenged. The Chair also ensures the Board receives accurate, timely and clear information about the Group's purpose, performance and material risks. The Chair is expected to promote open debate and facilitate constructive discussion. The Chair is responsible for ensuring the directors have sufficient capacity to make a valuable contribution and for ensuring sufficient time is made available for meaningful discussion.

DIRECTORS' REPORT (continued)

Corporate Governance Report (continued)

Principle Two – Board Composition (continued)

The Board has adopted a Diversity Policy published on the Scottish Widows website. The Board seeks to be appropriately diverse within its broadest sense to ensure the Board has an appropriate combination of skills, backgrounds, experience and knowledge to promote accountability and incorporate objective thought, to in turn enable constructive challenge in support of effective decision-making. Four out of the eleven Directors in office at 31 December 2024 were women, and three were Black, Asian and Minority Ethnic. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board. There are a range of initiatives to help provide mentoring and development opportunities for female and ethnically diverse executives within Lloyds Banking Group, and to ensure unbiased career progression opportunities.

The Board is supported by its Committees, the operation of which is discussed below. Except for the Independent Governance Committee and With Profits Committee whose remits are largely set out in regulation, the Board's Committees make decisions and recommendations to the Board according to the matters delegated to them, including in relation to internal controls, risk, investment strategy, some aspects of culture and financial reporting. Each committee has written terms of reference setting out its delegated responsibilities. Each committee comprises individuals with appropriate skills and experience and is chaired by a suitably skilled and experienced Chair. The Committee Chairs report to the Board at its next meeting after a Committee meeting.

The Board periodically undertakes self-reviews of its performance, which provide an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlight areas of further development. The performance reviews are commissioned by the Chair of the Board, assisted by the Company Secretary. In addition to considering the performance of the Board as a whole, the performance of the Board committees is also considered, either within the Board's own review or separately as appropriate. The Chair also ensures that the individual performance of directors is reviewed and feedback provided.

Principle Three – Director Responsibilities

The Directors are ultimately responsible for all matters which concern the operation of the Company's business. Along with senior management the directors are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation though the Corporate Governance Framework. Policies are also in place in relation to the management of potential conflicts of interest which may arise.

The Board is supported by its Committees, which make recommendations or decisions on matters delegated to them under the Corporate Governance Framework. The Board and its Committees operate with open debate and with adequate time for directors/members to consider proposals. The Chair of the Board and each Board Committee assumes responsibility (with support from the Company Secretary) for the provision to each meeting of accurate and timely information.

The Board receives regular reports from management at its meetings, comprising both standing materials (updated for each meeting) and covering progress against strategic priorities, operational matters and performance. In addition the Board receives materials relevant to contemporary Board priorities.

Principle Four – Opportunity and Risk

The Board is responsible for the approval and maintenance of the Company's strategy, its business model and long-term objectives within the applicable legal and regulatory frameworks and taking into account the Company's long-term financial interests, solvency and sustainable success. The Board agrees the Company's culture, purpose, values and strategy (within that of Lloyds Banking Group more widely). Further specific aims and objectives of the Board are formalised within the Corporate Governance Framework. These include responsibility and oversight of the implementation of key policies pertaining to capital, liquidity, compliance and internal controls. Key decisions before the Board are accompanied by a Risk Opinion prepared by the Chief Risk Officer, who is a standing attendee at Board meetings.

Effective risk management is central to the strategy of the Company and the Board is responsible for establishing, implementing and maintaining a Risk Management Framework (including liquidity and funding frameworks) in line with its appetite for risk. Risk is managed by delegating certain authorities to individuals through the Corporate Governance Framework and the further management hierarchy. The Company's risk appetite, principles, policies, procedures, controls and reporting are regularly reviewed to ensure they remain appropriate. The Company's principal risks are discussed further in note 19.

Principle Five – Remuneration

The Remuneration Committee of Lloyds Banking Group (the 'Remuneration Committee') is responsible for the Company's approach to remuneration. The Remuneration Committee governs the reward of the Company's colleagues, including its Executive Directors and those with a specific approach to remuneration including Senior Managers and Material Risk Takers. The Board of the Company (via its People Committee) gives input to the Lloyds Banking Group Remuneration Committee on considerations that are particular or appropriate to the Company or certain colleagues within the Company.

DIRECTORS' REPORT (continued)

Corporate Governance Report (continued)

Principle Six – Stakeholders

The Board of the Group is responsible for considering the views of the Group's key stakeholders. The Group operates under Lloyds Banking Group's wider approach to responsible business, which aims to create a sustainable and inclusive future for people and businesses by designing profitable solutions to the critical issues that UK society is facing and delivering them through strategy, core business and cross-Group collaboration. Lloyds Banking Group has adopted a code of Ethics and Responsibility to guide colleagues in how purpose supports working responsibly with external stakeholders.

Lloyds Banking Group Board's Responsible Business Committee oversights Lloyds Banking Group's strategy and plans to deliver its aspirations to become a truly purpose-driven organisation and to govern activities impacting Lloyds Banking Group's behaviour and reputation. The approach of the Board in respect of its non-colleague stakeholders is described in the separate s172 statement made in compliance with the Regulations, on pages 8 to 11.

Post balance sheet events

Interim dividends

On 6 February 2025, Scottish Widows Limited declared an interim dividend payment in respect of the year ending 31 December 2024 of £60 million. This was paid to the Company on 17 February 2025.

On 6 February 2025, Lloyds Bank General Insurance Holdings Limited declared an interim dividend payment in respect of the year ending 31 December 2024 of £20 million. This was paid to the Company on 18 February 2025.

On 6 February 2025, the Company declared an interim dividend payment in respect of the year ending 31 December 2024 of £100 million. This was paid to Lloyds Banking Group plc on 19 February 2025.

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 note 19, under principal risks and uncertainties: funding and liquidity in note 19(e) and capital position in note 19(d) and additionally have considered projections (including stress testing) for the Company's capital and funding position. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Information incorporated by reference

The following additional information forms part of the Directors' Report, and is incorporated by reference.

Content		Section
Disclosures required under the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Statement of other stakeholder engagement	Strategic Report
Disclosures required by the Financial Conduct Authority's Disclosure and Transparency Rule 7.2.5R		Note 19 (Risk Management)

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

Independent auditors

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

DIRECTORS' REPORT (continued)

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 11, and the Directors' Report on pages 12 to 16 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 Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Widows Group Limited (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 23.

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 Group 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, as well as the company's internal audit function.

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 specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our procedures performed to address are described below:

- Impairment of investment in subsidiaries: The determination of impairment related to investments in subsidiaries involves a number of estimates and judgements, where the carrying value of the investment is not supported by net assets of the investee. This risk is applicable for subsidiaries for which the recoverable amount is calculated using a discounted cashflow/dividend discount model and a reasonable sensitivity analysis results in significant decrease in headroom to the point of impairment. Key judgements include the growth rates used in forecasting future profits, the ability of subsidiaries to distribute dividends, the determination of applicable discount rates, the determination of business run off discount for certain businesses and valuation multiples. Based on our detailed risk assessment, we consider the growth rates used in forecasting future profits and determination of applicable discount rate to be the most material judgements and estimates which form our significant risk. We also consider these judgements to be at risk of management bias, giving rise to a fraud risk.

Together with our business valuation and impairment specialists, we performed the following substantive procedures:

- Tested the relevant controls relating to the business processes;
- Assessed the appropriateness of methodologies adopted by management against the requirements of IAS 36 and the models used to execute them;
- Challenged the significant assumptions set by management and used within the model by comparing to corroborative or contradictory evidence, including industry benchmarking where applicable;
- Involved our internal valuation specialist team to produce independent estimates of a range of reasonable discount rates to compare with management's selected discount rate;
- Challenged forecasts by comparing future expectations for cash in/outflows with actual past performance;
- Checked the mathematical accuracy of the value-in-use models by reviewing relevant formulae and data linkages; and
- Obtained and inspected impairment journals for those subsidiaries where impairment charge entries have been recognised in line with management's impairment assessment.

Independent auditor's report to the members of Scottish Widows Group 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:

- 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, internal audit 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.

Paul R. Stephenson

Paul Stephenson (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

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	13,047	7,959
Income from shares in subsidiary undertakings	20	1,113,000	285,000
Total revenue		1,126,047	292,959
Expenses			
Operating expenses	4	(13)	(333)
Impairment in value of subsidiary company	9	(20,257)	—
Finance costs	6	(96,852)	(95,371)
Total expenses		(117,122)	(95,704)
Profit before tax		1,008,925	197,255
Tax credit	7	45,780	41,971
Profit for the year		1,054,705	239,226
Total comprehensive income for the year		1,054,705	239,226

The notes set out on pages 24 to 45 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Investment in subsidiaries	9	10,968,567	10,986,824
Current tax recoverable	8	45,780	41,971
Cash and cash equivalents	10	119,410	207,363
Other assets		500	—
Total assets		11,134,257	11,236,158
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,806,000	1,806,000
Other reserves - equity instruments	13	800,000	1,100,000
Capital redemption reserve	12	595,394	595,394
Retained profits		6,615,158	6,406,754
Total equity		9,816,552	9,908,148
Liabilities			
Borrowings	16	353,166	353,035
Subordinated debt	14	960,000	960,000
Amounts due to Group undertakings	15	3,889	14,327
Accruals and deferred income		650	648
Total liabilities		1,317,705	1,328,010
Total equity and liabilities		11,134,257	11,236,158

The notes set out on pages 24 to 45 are an integral part of these financial statements.

The financial statements on pages 20 to 45 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			
Net Profit before tax		1,008,925	197,255
Adjusted for:			
Investment income	3	(13,047)	(7,959)
Income from shares in a subsidiary undertaking	20	(1,113,000)	(285,000)
Finance costs	6	96,852	95,371
Impairment in investment in subsidiary	9	20,257	—
Other non-cash movements		(497)	332
Net (decrease)/increase in operating assets and liabilities	17	(10,438)	(350,586)
Taxation received		41,971	19,935
Net cash flows generated from operating activities		31,023	(330,652)
Cash flows from investing activities			
Interest received	3	13,047	7,959
Investment in subsidiary	9	(2,000)	(301,000)
Dividends and other income received	20	1,113,000	285,000
Net cash flows (used in)/generated from investing		1,124,047	(8,041)
Cash flows from financing activities			
Dividends paid	18	(846,302)	(191,187)
Borrowings	16	131	353,035
Issue of new ordinary shares	11	—	246,000
Sub-debt repayment		(300,000)	—
Finance costs paid	6	(96,852)	(95,371)
Net cash flows generated from/(used in) financing		(1,243,023)	312,477
Net decrease in cash and cash equivalents		(87,953)	(26,216)
Cash and cash equivalents at the beginning of the year		207,363	233,579
Net cash and cash equivalents at the end of the year	10	119,410	207,363

The notes set out on pages 24 to 45 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	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1 January 2023		1,560,000	—	595,394	1,100,000	6,358,715	9,614,109
Issuance of new shares	11	246,000	—	—	—	—	246,000
Profit and total comprehensive income for the year		—	—	—	—	239,226	239,226
Dividend	18	—	—	—	—	(191,187)	(191,187)
Balance as at 31 December 2023	11,12	1,806,000	—	595,394	1,100,000	6,406,754	9,908,148
Sub debt redemption		—	—	—	(300,000)	—	(300,000)
Profit and total comprehensive income for the year		—	—	—	—	1,054,705	1,054,705
Dividend	18	—	—	—	—	(846,302)	(846,302)
Balance as at 31 December 2024	11,12	1,806,000	—	595,394	800,000	6,615,157	9,816,551

The notes set out on pages 24 to 45 are an integral part of 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.

The presentation of the notes to the financial statements relating to corporate actions has changed to allow more detail to be presented given the number of transactions in the year.

Standards and interpretations effective in 2024

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2024 which have had a material impact on 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) Financial assets and financial liabilities

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

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

The Company initially recognises loans, debt securities and subordinated liabilities when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of securities and other financial assets and trading liabilities are recognised on trade date, being the date that the Company is committed to purchase or sell an asset.

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

1. Accounting policies (continued)

(c) Financial assets and financial liabilities (continued)

Transaction costs incidental to the acquisition of a financial asset classified as measured at fair value through profit or loss are expensed through the statement of comprehensive income, within net gains and losses on assets and liabilities at fair value through profit or loss.

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

(c) Fair value methodology

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a 'fair value hierarchy' as follows:

(i) Level 1

Valued using quoted prices in active markets for identical assets and liabilities to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an on-going basis. Examples include listed equities, listed debt securities, Open Ended Investment Companies (OEICs) and unit trusts traded in active markets, and exchange traded derivatives such as futures.

(ii) Level 2

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar (but not identical) instruments in active markets
- Quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers
- Inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates)
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

Examples of these are securities measured using discounted cash flow models based on market observable swap yields such as Over the Counter interest rate swaps, listed debt and restricted equity securities.

(iii) Level 3

Valuations are based on mathematical models, market prices/data (where available) and subjective assumptions, including unobservable inputs. Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability, for example private equity investments held by the Company. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Examples of Level 3 assets include portfolio of illiquid loans and advances to customers, investments in private debt funds, private equity shares and complex derivatives.

Further analysis of the Company's instruments held at fair value is set out at note 19. The Company's management, through a Fair Value Pricing Committee, review information on the fair value of the Company's financial assets and the sensitivities to these values on a regular basis.

Transfers between different levels of the fair value hierarchy are deemed to have occurred at the next reporting date after the change in circumstances that caused the transfer.

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

1. Accounting policies (continued)

(d) Revenue recognition

Investment income

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

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.

(e) Expense recognition

Finance costs

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

Operating expenses are recognised in the statement of comprehensive income as they accrue, within operating expenses.

(f) Investment in subsidiaries

The Company owns a number of subsidiaries and has associated companies as set out in note 9. These subsidiaries trade with a view to making a profit, and the risks and rewards of owning these subsidiaries primarily rests with the equity shareholder of the Company. 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. The carrying values are assessed for indicators of impairment at least once in each financial year. Further information on the Company's impairment policy is set out in the Non-financial Assets section of policy (h).

(g) 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 arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

(h) Impairment

Financial assets

The impairment charge in the statement of comprehensive income includes the change in expected credit losses for financial assets held at amortised costs. 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.

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

1. Accounting policies (continued)

(h) Impairment (continued)

Financial assets (continued)

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. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings and other indicators of historic delinquency. 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.

Non-financial assets

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

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

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

(i) 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.

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.

(j) 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.

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

1. Accounting policies (continued)

(k) Subordinated debt

Subordinated debt that meets the definition of a financial liability is initially recognised at fair value and subsequently measured at amortised cost. Extension features that are not closely related to the underlying liability are accounted for as separate instruments.

Subordinated debt that does not include contractual obligations to deliver cash or other assets to another entity is classified as equity and is recognised in Equity Instruments as described in note 1(n).

(l) Dividends payable

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

(m) Other financial liabilities

Other financial liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within other financial liabilities.

(n) Equity instruments

Financial instruments, other than ordinary shares, that do not include contractual obligations to deliver cash or other assets to another entity are classified as equity and are recognised in Equity Instruments at the value of the net proceeds received from issuing the instrument.

(o) Accruals and deferred income

Accruals and deferred income are provided and recognised in the statement of comprehensive income in order to match costs or deferred income to the period in which they were incurred or earned.

(p) Contingent liability

A contingent liability is disclosed when identified as a possible cost to the Company. The value of the contingent liability is estimated based upon the latest information available at time of reporting.

2. Critical accounting judgments and estimates

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.

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

a. *Key sources of estimation uncertainty*

The Company uses estimates in the assessment of investment in subsidiaries for possible impairment. These include estimates used for value in use calculations relating to discount factors and growth assumptions. Further details of estimates used appear in note 9.

b. Critical judgements

The Company apply judgement to the accounting treatment of debt instruments. This judgement is based upon the details and characteristics of each individual instrument, including whether the instrument is dated or undated, if the debt can be converted to equity at certain levels of solvency ratio and if the company has the option to cancel coupon payments.

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

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

3. Investment income

	2024	2023
	£'000	£'000
Interest receivable on investments in a liquidity fund	13,047	7,959
Total	13,047	7,959

4. Operating expenses

	2024	2023
	£'000	£'000
Operating expenses	(13)	(333)
Total	(13)	(333)

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

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	28	27
Total fees payable	28	27

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

6. Finance costs

	2024 £'000	2023 £'000
Interest on dated subordinated debt	75,262	70,216
Interest on loans from subsidiary undertakings	91	21,419
Interest on external debt	21,499	3,736
Total	96,852	95,371

7. Tax credit

(a) Current year tax credit

	2024 £'000	2023 £'000
Current tax:		
UK corporation tax	45,780	41,971
Adjustment in respect of prior years	—	—
Total current tax	45,780	41,971

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

(b) Reconciliation of tax credit

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 credit for the year is given below:

	2024 £'000	2023 £'000
Profit before tax	1,008,925	197,255
Tax charged thereon at UK Corporation tax rate of 25% (2023: 23.5%)	(252,231)	(46,355)
Effects of:		
Income from shares in subsidiary undertakings	278,250	66,975
Adjustment in respect of prior years	—	—
Dividends on undated subordinated debt	24,825	21,429
Disallowable expenses	(5,064)	(78)
Tax credit on profit on ordinary activities	45,780	41,971
Effective rate	4.54 %	21.28 %

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.

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

8. Tax assets and liabilities

	2024 £'000	2023 £'000
Current tax assets	45,780	41,971
Total tax assets	45,780	41,971

The current tax receivable relates to group relief for corporation tax which is receivable from other companies within Lloyds Banking Group.

9. Investment in subsidiaries

	2024 £'000	2023 £'000
At 1 January	10,986,824	10,685,824
Impairment of investment in subsidiaries	(20,257)	—
Investment in subsidiaries	2,000	301,000
At 31 December	10,968,567	10,986,824

On 7 February 2023, the Company subscribed for newly issued shares in Embark Group Limited for a cash consideration of £55 million. On 1 November 2023, the Company subscribed for further newly issued shares of £246 million in Embark Group Limited to facilitate the acquisition of Halifax Share Dealing Limited.

On 6 February 2024, a forward contract was exercised to repurchase 0.5 per cent of Embark Group Limited shares at a cost of £2.0 million. These shares were originally purchased by the Embark CTO on 31 January 2022 following the Company's acquisition of Embark Group Limited (and its subsidiaries).

An impairment charge of £20 million has been charged to the profit and loss account during the year in respect of the liquidation of HBOS International Financial Services Holdings Limited.

In respect of the carrying value of Scottish Widows Limited (SWL), the Directors have considered the available free surplus on a Solvency II basis and expected value from future business to satisfy themselves that the carrying value is appropriate and does not require impairment.

The key components of this evaluation comprise future business levels and discount rate, which are based on a best estimate from future business plans and adjusted for risk. The analysis is therefore sensitive to these assumptions and actual future performance could differ from these assumptions both positively and negatively. The Directors will continue to assess the value of the subsidiary companies and impair these if deemed necessary.

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

A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis. Where an indicator of impairment is identified the recoverable amount of the subsidiary is calculated.

With the exception of SWL, the recoverable amount for 2023 and 2024 have both been calculated on a value in use basis, using the dividend discount method of valuation. The applicable pre-tax discount factor used for 2024 is 10.91 per cent (2023: 11.57 per cent). This has been applied to distributable profits and forecast dividends in line with the approved business plan. Growth assumptions and forecasts are also key assumptions utilised in production of these estimates of distributable profits and forecast dividends.

For the assessment of SWL, a discounted cash flow model is used with the best-estimate of cash flows derived from the Solvency II reporting framework (both current and projected cashflows). Adjustments for risk are made to reflect a view of distributable surplus. Consistent with the other subsidiary investments, growth assumptions and the discount factor used are key assumptions.

A 1% increase in the pre-tax discount factor would result in a £716 million change to value-in-use and a 1% reduction in the growth rate applied would result in a £525 million change in value-in-use. Under these scenarios no impairment in subsidiaries would be required.

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

9. Investment in subsidiaries (continued)

All entities detailed are wholly-owned, directly or indirectly, and transact insurance or reinsurance business, investment management activities or services in connection therewith, unless otherwise stated. Following are particulars of the Company's subsidiaries

Bank of Scotland Branch Nominees Limited	(6)	SARL HIRAM	(11)
Celsius European Lux 2 SARL	(3)	SCI Astoria Invest	(11)
Clerical Medical Finance plc	(2)	Scottish Widows Administration Services Limited	(12)
Clerical Medical Financial Services Limited*	(16)	Scottish Widows Administration Services (Nominees) Limited	(1)
Clerical Medical Investment Fund Managers Limited	(10)	Scottish Widows Auto Enrolment Services Limited	(12)
Clerical Medical Non Sterling Property Company SARL	(3)	Scottish Widows Europe SA	(4)
CM Venture Investments Limited	(17)	Scottish Widows Financial Services Holdings^	(1)
Dalkeith Corporation LLC	(7)	Scottish Widows Fund and Life Assurance Society	(1)
Embark Corporate Services Ltd	(15)	Scottish Widows Industrial Properties Europe BV	(14)
Embark Digital Studio Ltd	(15)	Scottish Widows Limited^	(12)
Embark Group Ltd^	(15)	Scottish Widows Trustees Limited	(1)
Embark Investment Services Ltd	(15)	Scottish Widows Unit Funds Limited	(1)
Embark Investment Services Nominees Ltd	(15)	Scottish Widows Unit Trust Managers Limited	(12)
Embark Investments Ltd	(15)	Share Dealing Nominees Limited	(10)
Embark Pensions Trustees Ltd	(15)	St Andrew's Group Limited	(2)
Embark Services Ltd	(15)	St Andrew's Insurance plc	(2)
Embark Trustees Ltd	(15)	St Andrew's Life Assurance plc	(2)
France Industrial Premises Holding	(8)	Saint Michel Holding Company No 1	(8)
General Reversionary and Investment Company (80%)	(2)	Saint Michel Investment Property	(8)
Halifax Financial Brokers Limited	(10)	Saint Witz II Holding Company No 1	(8)
Halifax Financial Services (Holdings) Limited	(10)	Saint Witz II Investment Property	(8)
Halifax Financial Services Limited	(10)	SW Funding plc	(1)
Halifax General Insurance Services Limited	(10)	SW No 1 Limited*	(5)
Halifax Life Limited	(10)	Thistle Investments (AMC) Limited	(9)
Halifax Share Dealing Limited	(10)	Thistle Investments (ERM) Limited	(9)
HBOS Financial Services Limited	(2)	Waverley Fund II Investor LLC	(7)
HBOS International Financial Services Holdings Limited*	(16)		
HBOS Investment Fund Managers Limited	(10)		
HSDL Nominees Limited	(10)		
Legacy Renewal Company Limited	(6)		
Lloyds Bank General Insurance Holdings Limited^	(12)		
Lloyds Bank General Insurance Limited	(12)		
Lloyds Bank Insurance Services Limited	(12)		
Pensions Management (S.W.F.) Limited	(1)		

*** In liquidation**

^ Shares held directly by the company

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

9. Investment in subsidiaries (continued)

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

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

Registered office addresses

(1) The Mound, Edinburgh, Midlothian, EH1 1YZ
(2) 33 Old Broad Street, London, EC2N 1HZ
(3) 20 Rue de Poste, L-2346, Luxembourg
(4) 1, Avenue du Bois, L-1251, Luxembourg
(5) Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
(6) Bank of Scotland, The Mound, Edinburgh, EH1 1YZ
(7) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
(8) SAB Formalities, 23 Rue de Roule, Paris, 75001, France
(9) 1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
(10) Trinity Road, Halifax, West Yorkshire, HX1 2RG
(11) 8 Avenue Hoche, 75008, Paris, France
(12) 25 Gresham Street, London, EC2V 7HN
(13) Port Hamilton, 69 Morrison Street, Edinburgh, EH3 8BW
(14) Hoogoorddreef, 151101BA, Amsterdam, Netherlands
(15) 100 Cannon Street, London, EC4N 6EU
(16) 1 More London Place, London, SE1 2AF
(17) RL360 House, Cooil Road, Douglas, Isle of Man, 1M2 2SP

The table overleaf lists collective investment vehicles and limited partnerships which are considered to be related undertakings due to the Group holding of 20 per cent or more. The basis to determine whether these investment vehicles are consolidated, in part through the Group's long-term funds, is set out in policy 1(b). The carrying value of the investment vehicles which are not consolidated is presented in investments at fair value through profit and loss within the Company's subsidiary, SWL.

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

9. Investment in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held	Name Of Umbrella And Undertaking	% Held
abrdn OEIC I (i)		HBOS Property Investment Funds ICVC (vii)	
abrdn Sterling Bond Fund	90.28%	UK Property Fund	49.79%
abrdn European Real Estate Share Fund	44.44%	HBOS Specialised Investment Funds ICVC (vii)	
abrdn OEIC IV (i)		Cautious Managed Fund	50.26%
abrdn Global Corporate Bond Tracker Fund	92.79%	Ethical Fund	81.86%
abrdn Emerging Markets Equity Enhanced Index Fund	62.84%	Fund of Investment Trusts	38.55%
Absolute Insight Funds p.l.c. (iii)		Smaller Companies Fund	65.73%
Insight Broad Opportunities Fund	22.33%	Special Situations Fund	49.73%
ACS Pooled Property (ii)		HBOS UK Investment Funds ICVC (vii)	
Scottish Widows Pooled Property ACS Fund 1	100.00%	UK Equity Income Fund	58.93%
Scottish Widows Pooled Property ACS Fund 2	100.00%	UK Growth Fund	59.41%
Artemis institutional funds (iv)		UK Equity Tracker Fund (viii)	59.19%
Artemis SmartGARP Paris-Aligned Global Equity Fund	47.97%	HLE Active Managed Portfolio Ausgewogen (viii)	
Blackrock authorised contractual scheme I (v)		HLE Active Managed Portfolio Ausgewogen	49.55%
BlackRock ACS US Equity Tracker Fund	74.49%	HLE Active Managed Portfolio Dynamisch (viii)	
ACS Japan Equity Tracker Fund	77.29%	HLE Active Managed Portfolio Dynamisch	37.38%
ACS 60:40 Global Equity Tracker Fund	45.67%	HLE Active Managed Portfolio Konservativ (viii)	
ACS UK Equity Tracker Fund	61.74%	HLE Active Managed Portfolio Konservativ	36.56%
ACS World Multifactor Equity Tracker Fund	65.19%	Invesco American Investment Series (xv)	
ACS Climate Transition World Equity Fund	98.80%	Invesco US Equity Fund	31.16%
BlackRock Collective Investment Funds (v)		Invesco Fund Managers Limited (xv)	
iShares Global Property Securities Equity Index Fund	37.65%	Invesco Global Bond Fund	20.59%
BlackRock Global Corporate ESG Insights Bond Fund	87.93%	Lazard Investment Funds (x)	
BlackRock Fixed Income Dublin Funds (v)		Lazard Developing Markets Fund	99.82%
iShares Emerging Markets Government Bond Index Fund (IE)	50.74%	Legg Mason Global Funds (iii)	
iShares Emerging Markets Local Government Bond Index Fund (IE)	84.26%	Legg Mason Western Asset Multi-Asset Credit Fund	37.83%
BNY Mellon Investment Funds (vi)		Liontrust Sustainable Future ICVC (xix)	
BNY Mellon Multi Asset Growth Fund	20.21%	Liontrust Sustainable Future UK Growth Fund	53.32%
BNY Mellon UK Income Fund	20.93%	MGI Funds Plc (xi)	
BNY Mellon Global Equity Fund	31.87%	Mercer Multi Asset Growth Fund	55.60%
BNY Mellon Sustainable UK Opportunities Fund	68.03%	Mercer Diversified Retirement Fund	72.92%
BNY Mellon Global Dynamic Bond Fund	24.50%	Mercer Multi Asset Moderate Growth Fund	63.73%
BNY Mellon US Opportunities Fund	38.68%	Mercer Multi Asset Defensive Fund	33.57%
BNY Mellon Global Multi-Strategy Fund	42.54%	Mercer Multi Asset High Growth Fund	60.43%
BNY Mellon Global Absolute Return Fund	74.92%	Mercer Passive Sustainable Global Equity Feeder Fund	67.11%
HBOS International Investment Funds ICVC (vii)		Morgan Stanley Investment Funds (xvi)	
North American Fund	94.97%	Global Credit Fund	34.54%
Far Eastern Fund	79.03%	Nordea 1, SICAV (xii)	
European Fund	93.60%	Nordea 1 – GBP Diversified Return Fund	25.31%
International Growth Fund	55.37%	Retail Authorised Unit Trusts (v)	
Japanese Fund	94.66%	BlackRock Balanced Growth Portfolio Fund	41.26%

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

9. Investment in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held	Name Of Umbrella And Undertaking	% Held
Royal London Equity Funds ICVC (xx)		Cash Fund	99.59%
Royal London UK Equity Income Fund	20.10%	Scottish Widows Overseas Growth Investment Funds ICVC (ii)	
Schroder Funds ICAV (xxi)		Global Growth Fund	61.30%
Schroder Sterling Liquidity Fund	89.13%	European Growth Fund	86.71%
Schroder Sterling Short Duration Bond Fund	94.89%	Global Select Growth Fund	55.37%
Schroder International Selection Fund (xiii)		American Growth Fund	78.45%
Emerging Market Bond	75.43%	Pacific Growth Fund	69.68%
Multi Asset Total Return	24.64%	Japan Growth Fund	97.68%
Sustainable Emerging Markets Synergy	95.98%	Scottish Widows Tracker and Specialist Investment Funds ICVC (ii)	
Schroder Matching Plus (xiii)		UK Equity Tracker Fund	89.40%
Schroder Matching Plus Bespoke Investment Fund 10	100.00%	UK Tracker Fund	44.63%
Scottish Widows Income and Growth Funds ICVC (ii)		UK Fixed Interest Tracker Fund	98.30%
Balanced Growth Fund	30.48%	Emerging Markets Fund	81.40%
Progressive Growth Fund	44.69%	UK Index-Linked Tracker Fund	99.26%
UK Index Linked Gilt Fund	100.00%	Scottish Widows UK Income and Investment Funds ICVC (ii)	
Corporate Bond PPF Fund	100.00%	UK Growth Fund	59.73%
ESG Sterling Corporate Bond Tracker Fund	100.00%	UK Equity Income Fund	24.78%
Global Tactical Asset Allocation 1 Fund	85.34%	Environmental Investor Fund	78.22%
Corporate Bond 1 Fund	85.11%	Ethical Fund	85.35%
Adventurous Growth Fund	46.16%	SEI Global Assets Fund PLC (xvii)	
Scottish Widows Investment Solutions Funds ICVC (ii)		The SEI Moderate Fund	26.48%
Developed Europe (ex UK) Equity Tracker Fund	95.17%	The SEI Core Fund	20.92%
Developed Asia Pacific (ex Japan ex Korea) Equity Tracker Fund	98.37%	SEI Global Master Fund PLC (xvii)	
Japan Equity Fund	93.54%	The SEI Factor Allocation Global Equity Fund	63.05%
US Equity Fund	91.05%	SPW Investment Portfolio ICVC (ix)	
UK Climate Transition Index Equity Tracker Fund	89.65%	Schroders Personal Wealth IPS Income Portfolio	45.41%
Fundamental Index Global Equity Fund	94.16%	Schroders Personal Wealth IPS Growth Portfolio	46.56%
Fundamental Index Emerging Markets Equity Fund	90.66%	SSgA (xiv)	
Developed World Paris-Aligned Index Equity Tracker Fund	97.68%	State Street AUT Europe ex UK Screened Index Equity Fund	97.06%
Emerging Markets Paris-Aligned Index Equity Tracker Fund	93.58%	State Street AUT Asia Pacific Ex-Japan Screened Index Equity Fund	97.83%
Global Environmental Solutions Fund	94.71%	State Street AUT Emerging Market Screened Index Equity Fund	100.00%
High Income Bond Fund	62.31%	The SVS Levitas Funds (xxii)	
International Bond Fund	76.98%	SVS Levitas A Fund	80.83%
Corporate Bond Fund	71.73%	SVS Levitas B Fund	77.63%
Gilt Fund	95.91%	Universe, The CMI Global Network Fund (xviii)	
Strategic Income Fund	66.76%	CMIG Access 70% Flexible	100.00%
Managed Growth Fund 3	100.00%	CMIG Access 80% Flexible	100.00%
Managed Growth Fund 5	100.00%	CMIG Access 90% Flexible	100.00%
Scottish Widows Managed Investment Funds ICVC (ii)		CMIG Access 80%	100.00%
International Equity Tracker Fund	56.83%	CMI Continental European Equity	97.89%
Balanced Growth Portfolio	24.97%	CMI UK Equity	81.92%
Progressive Growth Portfolio 1	44.68%	CMI US Enhanced Equity	92.84%

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

9. Investment in subsidiaries (continued)

Name Of Umbrella And Undertaking	% Held
CMI Pacific Basin Enhanced Equity	78.73 %
CMI US Equity Index Tracking	39.83 %
CMIG Focus Euro Bond	100.00 %

Principal Place of Business:

(i) 280 Bishopsgate, London, EC2M 4AG
(ii) The Mound, Edinburgh, EH1 1YZ
(iii) Riverside Two Sir John Rogerson’s Quay Grand Canal Dock, Dublin 2, Ireland
(iv) 57 St James’s Street, London, SW1A 1LD
(v) 12 Throgmorton Avenue, London EC2N 2DL
(vi) 160 Queen Victoria Street, London EC4V 4LA
(vii) Trinity Road, Halifax, West Yorkshire, HX1 2RG
(viii) 2, Boulevard Konrad Adenauer, L-1115 Luxemburg
(ix) 25 Gresham Street, London, EC2V 7HN
(x) 50 Stratton Street, London, W1J 8LL
(xi) 70 Sir John Rogerson's Quay, Dublin 2, Ireland
(xii) 562, Rue de Neudorf, L-2220, Luxembourg
(xiii) 5, Rue Höhenhof, L-1736, Senningerberg, Luxembourg
(xiv) 20 Churchill Place, Canary Wharf, London, E14 5HJ
(xv) Perpetual Park Drive, Henley-on-Thames, Oxfordshire RG9 1HH
(xvi) The Observatory, 7-11 Sir John Rogerson's Quay, Dublin 2, D02 VC42, Ireland
(xvii) Styne House, Upper Hatch Street, Dublin 2 Ireland
(xviii) 106, Route D’arlon, L-8210 Mamer, Luxembourg
(xix) 2 Savoy Court, London, WC2R 0EZ
(xx) 80 Fenchurch Street, London, EC3M 4BY
(xxi) 4-62 Townsend Street, Dublin 2, D02 R156
(xxii) 45 Gresham Street, London, EC2V 7BG

10. 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	119,410	207,363
Total	119,410	207,363

The Company has a corporate bank account with a balance of £nil at 31 December 2024 (2023: £nil). The account has an overdraft facility of £5 million of which £nil was utilised at the year end (2023: £nil).

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

11. Share capital and share premium

	2024 £'000	2023 £'000
Authorised, Allotted, called up and fully paid share capital:		
1,806,000,000,000 (2023: 1,806,000,000,000) Ordinary shares of £0.01	1,806,000	1,806,000
Total	1,806,000	1,806,000

Ordinary shares

On 1 July 2011, as part of a legal entity restructuring project, the Company issued 54,168,285,771 Class B ordinary shares.

In May 2013, there was a reduction of class B Ordinary Shares held by HBOS plc to 7,939,393,959 shares. The remaining shares were redeemed by the Company on 18 May 2021 and an amount of £794 was transferred from share capital to a capital redemption reserve leaving a balance of nil as at the reporting date.

On 4 November 2021, the Company issued an additional 56,000,000,000 ordinary shares at face value. All of these were purchased by the existing shareholder and parent company, Lloyds Banking Group plc.

On 1 November 2023, the Company issued an additional 246,000,000,000 ordinary shares at £0.01. All of these were purchased by the existing shareholder and parent company, Lloyds Banking Group plc.

12. Capital Redemption Reserve

	2024 £'000	2023 £'000
Balance as at 1 January	595,394	595,394
Balance as at 31 December	595,394	595,394

13. Other Reserves - Equity Instruments

	2024 £'000	2023 £'000
Balance as at 1 January	1,100,000	1,100,000
Redemption of subordinated perpetual debt instruments	(300,000)	—
Balance as at 31 December	800,000	1,100,000

The subordinated debt instruments are perpetual and pay periodic interest payments at the discretion of the Company and accordingly are classified as equity instruments. Where an interest payment is not made it would accumulate and be payable if the Company chose to redeem the securities or to make the interest payment. No interest is accrued on a deferred interest amount.

On 18 May 2021, the Company issued four new Tier One (Solvency II Own funds) perpetual debt instruments with interest rates and call dates as below;

Amount	Interest rate	Next call date
£300 million	SONIA + 3.70%	November 2026
£300 million	SONIA + 3.70%	November 2028
£250 million	SONIA + 4.06%	November 2027
£250 million	SONIA + 4.21%	November 2029

On 21 December 2021, there was a call option exercised on the existing £305 million subordinated perpetual debt instrument whereby it was fully redeemed.

On 18 November 2024, there was a call option exercised on the first of the £300 million subordinated perpetual debt instruments whereby it was fully redeemed.

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

14. Subordinated debt

The carrying value shown in the balance sheet is as follows:

	2024 £'000	2023 £'000
Balance as at 1 January	960,000	960,000
Balance as at 31 December	960,000	960,000

Of the above total, £400 million (2023: £960 million) is expected to be settled more than one-year after the reporting date. Details of each subordinated debt instrument are set out below.

Dated subordinated debt

*A*s part of the legal entity restructuring project on 1 July 2011, the Company issued £475 million of dated subordinated debt comprising floating rate subordinated notes due 2041, with a maturity date of 30 years from the date of issue. The coupons were cumulative, at a floating rate of 3 month LIBOR plus 5 per cent and were deferrable at the option of the Company until maturity. In May 2013, £400 million of dated subordinated debt with a maturity date of 2041 was repurchased by the Company, leaving £75 million outstanding. On 18 May 2021, the Company repurchased the remaining £75 million leaving an outstanding balance of nil at the reporting date.

The Company issued £560 million of 10 year dated subordinated debt to Lloyds Banking Group plc on 15 June 2015. The loan carried interest at the rate of 3 month LIBOR plus 3.15 per cent, payable quarterly, but due to the planned discontinuation of LIBOR, the interest was amended by deed of variation on 13 September 2021 to SONIA +3.25 per cent. This instrument is classed as Tier Two (Solvency II Own funds).

On 18 May 2021, the Company issued a new £100 million 10 year dated Tier Two (Solvency II Own funds) subordinated debt security to Lloyds Banking Group plc, carrying an interest rate of SONIA +2.01 per cent payable quarterly. This security has a callable option in November 2026.

On 8 December 2021, the Company issued a further £300 million 10 year dated Tier Two (Solvency II Own funds) subordinated debt security to Lloyds Banking Group plc, carrying an interest rate of SONIA +1.98 per cent payable quarterly. This security has a callable option in June 2027.

The dated subordinated debt is redeemable at par value plus accrued coupons at the option of the Company, subject to certain conditions, after 10 years from the date of issue at scheduled dates, and at other non-scheduled dates in the event of a change in law the effect of which is that the dated subordinated debt no longer qualifies for inclusion in the Group's regulatory capital on the same basis as it did prior to such change in the law.

If when the debt is to be redeemed the Group regulatory capital is in breach of a specified regulatory capital solvency level, the Company will be required to defer repayment of the principal amount of the dated subordinated debt until the Prudential Regulatory Authority (or any successor regulatory authority) approves payment. This extension feature is not closely related to the dated subordinated debt; however, the value of the feature is deemed to be negligible. The undated subordinated debt - liability component is the liability of a compound financial instrument.

Undated subordinated debt

Also as part of the legal entity restructuring on 1 July 2011, the Company issued undated subordinated debt of £1,014 million. On 17 December 2018, following approval from the PRA, the Company redeemed £490 million of floating rate subordinated perpetual notes issued to Lloyds Bank plc. The remaining £524 million of the subordinated securities were subject to repurchase by the Company in the event of the Solvency II Group headed by the Company breaching a specified regulatory capital solvency level. This repurchase feature met the definition of a financial liability and as a result the subordinated debt that is subject to the repurchase feature is a compound instrument. The repurchase feature was recognised as a liability component and was shown in liabilities as subordinated debt. The subordinated liability component was measured at the value of the repurchase amount. On 18 May 2021, the Company decided of its own volition to exercise an option to repurchase the remaining £524 million, leaving an outstanding balance of nil at the reporting date.

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

14. Subordinated debt (continued)

The fair values of the subordinated debt are as follows:

	2024		2023	
	£'000	£'000	£'000	£'000
	Carrying value	*Fair value*	*Carrying value*	*Fair value*
Dated subordinated debt	960,000	958,258	960,000	957,286
Total	960,000	958,258	960,000	957,286

The fair value of dated subordinated debt has been assessed by management with reference to published prices.

15. Amounts due to Group undertakings

	2024		2023	
	£'000	£'000	£'000	£'000
	Carrying value	*Fair value*	*Carrying value*	*Fair value*
Loans from subsidiary undertakings	—	—	10,393	10,393
Accrued interest payable	3,889	3,889	3,934	3,934
Total	3,889	3,889	14,327	14,327

Of the above total, no amount (2023: nil) is expected to be settled more than one-year after the reporting date.

16. Borrowings

	2024	2023
	£'000	£'000
Bank loan	349,708	349,358
Accrued interest	3,458	3,677
Total	353,166	353,035

On 26 October 2023 the company entered into a loan agreement with Banco Bilbao Vizcaya Argentina ('BBVA'). On 27 October 2023 £350 million was utilised less structure fee of £0.7 million. The loan accrues interest at SONIA + 0.9 per cent.

Of the above total, no amount (2023: £349,358,000) is expected to be settled more than one-year after the reporting date. The fair value of the loan at 31 December 2024 was £351,795,004 (2023: £351,995,287).

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

	Note	2024	2023
		£'000	£'000
Net (increase)/decrease in operating assets			
Other Assets		(497)	334
Net (increase)/decrease in operating assets		(497)	334
Net (decrease) in operating liabilities			
Amounts due to Group undertakings	15	(10,438)	(350,586)
Net (decrease) in operating liabilities		(10,438)	(350,586)
Net (decrease) in operating assets and liabilities		(10,935)	(350,252)

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

18. Dividends paid

	2024 £'000	2023 £'000
Dividends on class A ordinary shares	747,000	100,000
Dividends on undated subordinated debt	99,302	91,187
Total dividends paid	846,302	191,187

The dividends paid in 2024 amounted to a total of 0.004 pence per class A ordinary share, nil pence per class B ordinary share and nil pence per class A preference share (2023: 0.0006 pence per class A ordinary share, nil pence per class B ordinary share and nil pence per class A preference).

The dividends per share are higher in 2024 on the class A ordinary shares driven by an increase in income from shares in subsidiaries.

Dividends on subordinated debt are in relation to the equity instruments as detailed in note 14.

19. Risk management

The principal activity of the Company is that of a 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 its financial assets and financial liabilities. The most important components of financial risk are credit, liquidity and market risk.

The Company manages these risks in a numbers of ways, including risk appetite assessment and monitoring of capital resource requirements.

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The summary of significant accounting policies (note 1) describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The sensitivity analyses given throughout this note are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated, for example changes in interest rates and changes in market values. The sensitivity analysis presented also represents management's assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

(a) Market risk

Market risk is defined as the risk that our capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business.

The main investments of the Company are the holding of subsidiary companies, which are set out in note 9 and the risks associated with investments in subsidiaries are covered further in paragraph (f) below. Holdings of individual assets are essentially interest bearing, and are covered further in paragraph (e) below.

Investments in liquidity fund 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 investments in a liquidity fund, dividends on undated preference shares, interest on the intercompany loans and coupons on dated subordinated debt which are described in note 14. None of the other financial assets or financial liabilities of the Company are interest-bearing.

The sensitivity analysis below illustrates how the fair value of future cash flows in respect of interest-bearing financial assets, will fluctuate because of changes in market interest rates at the reporting date.

	Impact on profit after tax and equity for the year	
	2024 £'000	2023 £'000
100 basis points (2023: 100 basis points) increase in yield curves	11,234	12,549
100 basis points (2023: 100 basis points) decrease in yield curves	(11,234)	(12,549)

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

19. Risk management (continued)

(c) Credit risk

The risk that parties with whom we have contracted, fail to meet their financial obligations (both on and off balance sheet).

At the year end, the Company held financial assets of £119,410,000 (2023: £207,363,000) which were in investments in a liquidity fund with a credit risk rating of A (2023: A) using Standard & Poor's rating or equivalent. These assets are classified as Level 1 within the fair value hierarchy (2023: Level 1).

Credit risk in respect of above balances is not considered to be significant. There were no past due or impaired assets at 31 December 2024 or 31 December 2023. No terms in respect of financial assets had been renegotiated at 31 December 2024 or 31 December 2023.

(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 Group.

The business of several of the Company's subsidiaries is regulated by the PRA and the FCA. The PRA rules, which incorporate all Solvency II requirements, specify the minimum amount of capital that must be held by the regulated companies within the Group in addition to their insurance liabilities. Under the Solvency II rules, each insurance company must hold assets in excess of this minimum amount, which is derived from an economic capital assessment undertaken by each regulated company and the quality of capital held must also satisfy Solvency II tiering rules. This is reviewed on a quarterly basis by the PRA.

The Solvency II minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met.

The Company's objectives when managing capital are to have sufficient capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders.

The capital management strategy is such that the integrated insurance business (comprising Lloyds Banking Group plc and its subsidiaries, including the Company) will hold capital in line with the stated risk appetite for the business, which is to be able to withstand a one in ten year stress event without breaching the capital requirements. At Lloyds Banking Group level it is intended that all surplus capital above that required to absorb a one in ten year stress event will be distributed to Lloyds Banking Group.

The Company's capital comprises all components of equity, movements in which are set out in the statement of changes in equity and includes subordinated debt (note 14).

The table below sets out the regulatory capital held (specifically, eligible own funds, allowing for any year-end foreseeable dividend, available to cover the solvency capital requirement) at 31 December in each year for the Company on a Solvency II basis.

	2024 £m	2023 £m
Regulatory Capital held	5,197	6,142
SCR (unaudited)	3,489	3,721
Excess Capital	1,708	2,421
Solvency II Ratio (unaudited)	149%	184%

(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 has been analysed as arising from the settlement of intercompany balances.

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.

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

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

19. Risk management (continued)

(e) Liquidity risk (continued)

The following tables indicate the timing of the contractual cash flows arising from the Company's financial liabilities, as required by IFRS 7. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company is obliged to pay. The table includes both interest and principal cash flows.

As at 31 December 2024		Contractual cash flows					
Liabilities	**Carrying amount**	**No stated maturity**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings	353,166	—	—	—	353,166	—	—
Dated subordinated debt	960,000	—	—	13,118	612,472	209,887	400,000
Amounts owed to Group undertakings	3,889	—	3,889	—	—	—	—
Total	1,317,055	—	3,889	13,118	965,638	209,887	400,000

As at 31 December 2023		Contractual cash flows					
Liabilities	**Carrying amount**	**No stated maturity**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Borrowings	353,035	—	5,454	—	15,549	363,236	—
Dated subordinated debt	960,000	—	—	13,800	55,197	220,787	960,000
Amounts owed to Group undertakings	14,327	—	3,934	—	10,393	—	—
Total	1,327,362	—	9,388	13,800	81,139	584,023	960,000

Interest of £71,273,000 (2023: £75,945,000) per annum which is payable in respect of dated subordinated debt and non-current amounts owed to group undertakings for as long as they remain in issue is not included beyond five years.

Interest of £19,778,000 (2023: £31,844,000) is payable in respect of the borrowings.

(f) Risk associated with investment in subsidiaries

The Company owns various subsidiary undertakings and as mentioned in accounting policy note 1 (f), the carrying values of these are assessed for reasonableness at least once in each financial year. Any impairment in the value of these investments could result in a significant financial exposure of the Company, although the impairment would have to be significant itself for this risk to crystallise. The underlying activity in the subsidiary undertakings is regularly monitored and any implications on the financial position of the Company assessed. All subsidiaries of the Company are managed in accordance with Lloyds Banking Group risk policies to mitigate against any unforeseen circumstances.

As a holding company, the Company may be called upon to support subsidiary companies with additional capital in exceptional circumstances. Capital requirements are assessed on a regular basis by a specialist team so any requirements can be planned in advance. The risk to the Company is low as if necessary the Company can call upon its immediate parent as required.

20. Related party transactions

(a) Ultimate parent and shareholding

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

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

20. Related party transactions (continued)

(b) Transactions and balances with related parties

Transactions with other Lloyds Banking Group companies

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

2024

	Income during year	Expenses during year	Payable at year end	Receivable at year end	Capital injections made	Capital injections received
	£'000	£'000	£'000	£'000	£'000	£'000
Relationship						
Parent	—	921,564	963,889	—	—	—
Subsidiary	1,113,000	—	—	—	—	—

2023

	Income during year	Expenses during year	Payable at year end	Receivable at year end	Capital injections made	Capital injections received
	£'000	£'000	£'000	£'000	£'000	£'000
Relationship						
Parent	—	271,773	963,934	—	—	246,000
Subsidiary	285,000	10,810	10,393	—	301,000	—

The above balances are unsecured in nature and are expected to be settled in cash.

Parent undertaking transactions relate to dividends paid to the Company's immediate parent. Transactions with other related parties (which including Subsidiary, Associates, Joint Ventures and Other categories above) are primarily in relation to financing (through capital and subordinated debt), loan funding and receipt of dividends.

In addition to the balances disclosed in the table, balances of £119,410,816 (2023: £207,363,018) and income of £13,046,606 (2023: £7,958,460) 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.

(c) 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 Insurance Pensions and Investment Executive Committee ('IP&IEC') members. Key management personnel, as defined by IAS 24, are employed by a management entity, transactions with this entity and its subsidiaries (both direct and indirect) are as follows:

Key management compensation:

	2024	2023
	£'000	£'000
Short-term employee benefits	13,944	12,440
Post-employment benefits	156	79
Share-based payments	5,397	2,061
Total	19,497	14,580

Included in short term employee benefits is the aggregate amount of emoluments paid to or receivable by Directors in respect of qualifying services of £6,299,344 (2023: £6,747,451).

There were no retirement benefits accruing to Directors (2023: nil) under defined benefit pension schemes. Two Directors (2023: nil Directors) are paying into a defined contribution scheme. There were £70,229 of (2023: nil) contributions paid to a pension scheme for qualifying services.

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 Group of the total compensation earned.

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

20. Related party transactions (continued)

(c) Transactions between the Company and entity employing key management (continued)

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 £3,777,462 (2023: £1,248,997). 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	**25,406,159**	**30,607,903**
Outstanding balance of directors newly appointed in the period	2,599,155	4,222,512
Granted	27,464,640	17,718,229
Exercised	(13,218,572)	(8,753,752)
Forfeited	(292,155)	(10,566,441)
Outstanding balance of directors resigned in the period	(2,350,261)	(7,822,292)
Outstanding at 31 December	**39,608,966**	**25,406,159**

Detail regarding the highest paid Director is as follows:

	2024 £'000	2023 £'000
Apportioned aggregate emoluments	1,828	2,130
Apportioned share-based payments	2,062	476

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).

(d) Other transactions

Following the acquisition of Embark Group Limited (and its subsidiaries) by the Company on 31 January 2022, the Embark CTO purchased 0.5 per cent of the shares of Embark on Day 1 for £2 million. The Company has signed a forward contract to repurchase these shares after a two year period, for a maximum price of £2.8 million and a floor price of £1 million dependent on some KPIs. It is concluded that the Company still obtains control given the insignificant percentage of the non-controlling stake interest, no voting rights or board representation of the Embark CTO.

The forward contract was exercised on 6 February 2024.

21. Contingent Liability

Tax authorities

Lloyds Banking Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 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 £7,026,000 (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.

Other legal actions and regulatory matters

In addition, in the ordinary course of business the Company is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers (including their appointed representatives), investors or other third parties, as well as legal and regulatory reviews, enquiries and examinations, requests for information, audits, challenges, investigations and enforcement actions which could relate to a number of issues. This includes matters in relation to compliance with applicable laws and regulations, such as those relating to prudential regulation, consumer protection, investment advice, business

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

21. Contingent Liability (continued)

Other legal actions and regulatory matters (continued)

Where material, such matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. However the Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

22. 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.

23. Post balance sheet events

On 6 February 2025, Scottish Widows Limited declared an interim dividend payment in respect of the year ending 31 December 2024 of £60 million. This was paid to the Company on 17 February 2025.

On 6 February 2025, Lloyds Bank General Insurance Holdings Limited declared an interim dividend payment in respect of the year ending 31 December 2024 of £20 million. This was paid to the Company on 18 February 2025.

On 6 February 2025, the Company declared an interim dividend payment in respect of the year ending 31 December 2024 of £100 million. This was paid to Lloyds Banking Group plc on 19 February 2025.