

Scottish Widows Services Limited

Annual Report and Financial Statements
2024

Company Financial Statements	PAGE(S)
Company Information	3
Strategic Report	4-7
Directors' Report	8-11
Independent Auditor's Report to the member of Scottish Widows Services Limited	12-14
Statement of Comprehensive Income for the year ended 31 December 2024	15
Balance Sheet as at 31 December 2024	16
Statement of Cash Flows for the year ended 31 December 2024	17
Statement of Changes in Equity for the year ended 31 December 2024	18
Notes to the Financial Statements for the year ended 31 December 2024	19-43

COMPANY INFORMATION

Board of Directors

D MacKechnie
R A Messenger

Company Secretary

K J Mckay

Independent Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Registered Office

The Mound
Edinburgh
EH1 1YZ
Scotland

Company Number

SC189975

STRATEGIC REPORT

The Directors present their Strategic Report on Scottish Widows Services Limited (the 'Company') for the year ended 31 December 2024.

The Company forms part of Lloyds Banking Group. The Company continues to act as the employer for the Scottish Widows Retirement Benefits Scheme ('SWRBS'). As part of this arrangement all associated service costs occurring from the SWRBS are recharged to the Insurance, Pensions and Investments (IP&I) Division companies of Lloyds Banking Group.

Result for the year

The result of the Company for the year ended 31 December 2024 is a profit before tax of £15.1m (2023: profit before tax of £21.1m). The total comprehensive loss for the year is £12.1m (2023: total comprehensive loss of £17.1m) primarily driven by the remeasurement of retirement benefits obligations. The total net assets of the Company at 31 December 2024 are £395.2m (2023: £407.3m).

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, is aligned to best practice outlined by the Climate Financial Risk Forum ('CFRF') and has published a TCFD aligned report at the Scottish Widows Group ('SWG') level.

This report is available on the Lloyds Banking Group website at www.lloydsbankinggroup.com/investors/esg-information.

Key performance indicators

Employee costs

The staff costs and other employee related costs are flat at £54.6m (2023 restated : £51.8m). Employees predominantly contribute to the service provided to the IP&I division companies.

Pension scheme asset

The defined benefit scheme has been recognised in the Company's balance sheet as a £182.8m retirement benefit asset (2023: £210.4m). This result is mainly driven by an adverse £29.6m (net of tax) remeasurement effect recognised within other comprehensive income during the year.

Liquidity

The Company regularly monitors its liquidity position to ensure that it has sufficient liquidity to meet its obligations.

The Directors are of the opinion that the information presented in the financial statements as a whole provides the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

STRATEGIC REPORT (CONTINUED)**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. In particular, ring-fencing regulations have placed an increased focus on governance and risk management. Lloyds Banking Group including the Company have taken steps to ensure the control environment and governance structure support compliance. The financial risk management objectives and policies of the Company and the exposure to risks including market, credit, capital, liquidity and operational risks are set out in note 18.

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

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

This Statement also provides examples of how the Directors have engaged with and taken account of the views of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc (Lloyds Banking Group), and, as such, follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this Statement where relevant.

The Board is collectively responsible for promoting and assessing the long-term success of the Company. Understanding key stakeholders' points of view (this includes shareholders, colleagues, society and environment, and suppliers), is central to the Company's strategy, and informs key aspects of Board decision making. Stakeholder engagement is an important part of how Lloyds Banking Group is delivering on its purpose of Helping Britain Prosper.

How the Board has discharged its Section 172 duties

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

The governance of the Company is conducted in line with the Lloyds Banking Group's Corporate Governance Framework, which is reviewed annually. There are matters the Board has reserved for its own determination and those for which it has delegated authority to management. This arrangement is designed to enable the Board to provide effective, sound, and entrepreneurial leadership of the Company within Lloyds Banking Group's strategic aims and prudent and effective controls.

The Board considers its stakeholders when making decisions. Senior Management supports Board decision making by addressing stakeholder implications in proposals submitted to the Board for consideration. Managing stakeholder interests also forms a key part of the Board's delegation of authority to management for the delivery of the Company's strategy and overall day-to-day management of the Company's business within its defined risk appetite.

Further details of how the Board considers each of the specific matters set out in Section 172 are set out in pages 5 to 7 which serves as the Directors' Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Shareholders

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

Further information in respect of the relationship of Lloyds Banking Group with its shareholders is included in the Strategic Report within the Lloyds Banking Group Annual Report and Financial Statements for 2024, available on the Lloyds Banking Group website.

STRATEGIC REPORT (CONTINUED)**Colleagues**

The Company's approach in respect of colleagues, including their engagement, is part of that of Lloyds Banking Group. Colleagues remain central to the delivery of the Company, and Lloyds Banking Group's strategic ambitions.

The Board of Lloyds Banking Group's Responsible Business Committee continues to be the designated body for workforce engagement. The Responsible Business Committee reports regularly to the Board of Lloyds Banking Group on all of its activities, including on its colleague engagement agenda.

Examples of engagement with colleagues undertaken during 2024 can be found in the Directors' Report within the Lloyds Banking Group Annual Report and Financial Statements for 2024, available on the Lloyds Banking Group website.

The Board of Lloyds Banking Group approved in 2024 an evolved approach to colleague engagement, implemented during 2025. This new approach builds on existing colleague listening activity and will introduce three forums to better represent colleagues particularly at grades where trade union membership is low. The forums will include the People Forum, the People Consultation Forum and the Management Advisory Forum.

Culture, Values and Purpose

Lloyds Banking Group has purpose at its core. Its commitment to Helping Britain Prosper enables it to meet customers' holistic financial service needs, whilst delivering sustainable profit and growth for shareholders.

The Board and senior management of Lloyds Banking Group have a key role in helping to shape, role model and embed a healthy corporate culture. This remained a focus in 2024. Clear ambitions have been set to enable progress to be measured on gender, ethnic minorities and colleagues with disabilities. Further details on Lloyds Banking Group's progress on these measures can be found in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2024.

Communities and Environment

Support on environmental matters relevant to the Company is provided by the Board of Lloyds Banking Group's Responsible Business Committee. The Committee considers stakeholder views on all matters relating to Lloyds Banking Group's ambition to be a trusted, sustainable, inclusive and responsible business.

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

Climate and Net Zero

Lloyds Banking Group recognises it has a key role to play in supporting the UK transition to net zero by advancing initiatives that address climate change and protect nature. Work continues with customers, government and the market to reduce carbon emissions Lloyds Banking Group finance by more than 50% and halve the carbon footprint of its investments by 2030. Lloyds Banking Group's ambition is to achieve net zero by 2050 or sooner.

Progress against net zero ambitions and targets is monitored through Lloyds Banking Group's Net Zero Committee.

Further information on Lloyds Banking Group's progress against its sustainability ambitions and climate action plan can be found in the 2024 Sustainability Report on the Lloyds Banking Group website.

Lloyds Banking Group continues to develop and embed its capabilities for measuring and managing key climate risks within its risk management approach. Further information can be found in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2024.

STRATEGIC REPORT (continued)**Suppliers**

As part of Lloyds Banking Group, the Company relies on a number of partners 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.

Supplier Framework

Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group's Sourcing & Supply Chain Management Policy applies to all its business units, divisions, and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for its application of that policy in a way that is appropriate for the Company. This ensures, where relevant, 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 the strategy and governance of its organisations. Reducing suppliers' emissions is a key component of its sustainability strategy. In 2022, Lloyds Banking Group launched its Emerald Standard which suppliers are asked to work towards to help drive progress towards a lower carbon future. Attainment of the Standard by suppliers will increasingly contribute to the award of future business.

Modern Slavery and Human Rights

Lloyds Banking Group is committed to operating in accordance with internationally accepted human rights standards and with all relevant legislation including the UK Modern Slavery Act 2015.

Lloyds Banking Group's approach to human rights is governed by the Responsible Business Committee, a sub-committee of the Board of Lloyds Banking Group plc. Given the strategic importance of its sustainable business ambitions and commitment to managing the impacts arising from human rights risks and broader social issues, Lloyds Banking Group's governance structure provides clear oversight and ownership of its identified salient human rights issues.

Lloyds Banking Group's day-to-day management of modern slavery and human rights is supported and coordinated by the Group Human Rights Manager, who is part of the Lloyds Banking Group's Sustainable Business function, and is guided by a cross divisional working group, the Modern Slavery and Human Rights Working Group.

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 Statement is published on the Lloyds Banking Group website.

Approved by the Board of Directors and signed on behalf of the Board,



R A Messenger
Director
23 September 2025

DIRECTORS' REPORT**Principal activities**

The Directors present the audited financial statements of the Company, a private company limited by shares, domiciled and incorporated in United Kingdom, whose principal activity is to act as a service provider to subsidiary undertakings of Scottish Widows Group Limited. The Company is a wholly owned subsidiary of Lloyds Bank plc.

Outlook

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

Results and dividend

The result of the Company for the year ended 31 December 2024 is a profit before tax of £15.1m (2023: profit before tax of £21.1m).

During the year, no interim dividends (2023: £nil) were paid. Directors recommend no payment of a dividend in respect of the year ended 31 December 2024 (2023: £nil).

Directors

The names of the current Directors are listed on page 3. There has been no changes in Directorships during the year or since the end of the year.

Particulars of the Directors' emoluments are set out in note 19.

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, Lloyds Banking Group has in place appropriate Directors' and Officers' Liability Insurance cover which was in place throughout the financial year.

Disclosure of information to Auditor

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

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

Engagement with suppliers, customers and others

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

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 the 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 is committed to continuing the employment of, and for arranging appropriate training for, employees of the Company 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 Lloyds Banking 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 are available for most staff, to encourage their financial involvement in Lloyds Banking Group.

Charitable and political contributions

During the year, the Company made no charitable contributions (2023: nil). The Company made no political contributions during the year (2023: nil).

Financial risk management

Disclosures relating to financial risk management are included in note 18 to the financial statements and are therefore incorporated into this report by reference.

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 governance requirements of the operation of the Company as part of Lloyds Banking Group's Ring-Fenced Bank, and its application of the principles.

This includes the matters reserved to the Company's 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. 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 Board is collectively responsible for ensuring the Company's the long-term, sustainable success. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group, and overseeing delivery against it.

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which is a vital part of the corporate culture. 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's annual report and Financial Statements for 2024.

Principle Two – Board Composition

The Company is led by a Board comprising Executive Directors, further details of the Directors can be found on page 3. The Board is committed to ensuring it has the right balance of skills, experience and knowledge and considers its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills and experience, and knowledge needed to ensure a rounded Board and the diverse benefits each candidate can bring to the overall Board composition. There are a range of initiatives to help provide mentoring and development opportunities for female and ethically diverse executives within Lloyds Banking Group and to ensure unbiased career progression opportunities.

DIRECTORS' REPORT (CONTINUED)**Corporate Governance (continued)**Principle Three – Director Responsibilities

The Directors assume ultimate responsibility 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 through the Corporate Governance Framework. Policies are also in place in relation to potential conflicts of interest which may arise.

The Board operates with open debate and with adequate time for directors to consider proposals which are put forward. The Chair of the Board assumes responsibility (with support from the Company Secretary) for the provision to each meeting of accurate and timely information.

Principle Four – Opportunity and Risk

The Board oversees the development and implementation of the Company's strategy, within the context of the wider strategy of Lloyds Banking Group, which includes consideration of all strategic opportunities when required.

The Board is also responsible for the long-term sustainable success of the Company, generating value for its shareholders and making a positive contribution to society. Further specific aims and objectives of the Board are formalised within the Corporate Governance Framework.

Strong risk management is central to the strategy of the Company, along with a robust risk control framework, serves as the foundation for the delivery of effective management of risk. The Company's risk appetite, principles, policies, procedures, controls, and reporting are managed in conjunction with those of Lloyds Banking Group and, as such, are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance, and industry best practice. The Company's principal risks are discussed further in note 18.

Principle Five – Remuneration

The Remuneration Committee of Lloyds Banking Group (the 'Remuneration Committee') assumes responsibility for the Company's approach to remuneration. This includes reviewing and making recommendations on remuneration policy as relevant to the Company, ranging from the remuneration of Executive Directors to that of all other colleagues employed by the Company. Two of the three designated independent non-executive Directors of the Ring-Fenced Banks also attend meetings of the Remuneration Committee as observers in order to provide insights on matters relevant to the Ring-Fenced Banks and as part of their role in Lloyds Banking Group's overall governance structure.

Principle Six – Stakeholders

The Board of the Company is responsible for considering the views of the Group's key stakeholders. The Company 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 oversees 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 in the Strategic Report on page 5.

Going concern

The going concern of the Company is dependent on successfully maintaining adequate levels of capital and liquidity. In order to satisfy themselves that the Company has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management section under principal risks and uncertainties. These include the liquidity and capital position in addition to considering projections (including stress testing) for the Company's capital and liquidity position. Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT (CONTINUED)**Information incorporated by reference**

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

Content	Disclosure	Section
Disclosures required under the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Statement of engagement with suppliers, employees and other stakeholder	Strategic Report
Disclosures required by the Financial Conduct Authority's Disclosure and Transparency Rule 7.2.5R	Corporate Governance Statement – internal control and risk management systems	Note 18 (Risk Management)

Independent auditor

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic Reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether for the Company, UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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; and
- the Strategic Report on pages 4 to 7, and the Directors' Report on pages 8 to 12 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



R A Messenger
Director
23 September 2025

Independent auditor's report to the members of Scottish Widows Services Limited**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of Scottish Widows Services 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 comprehensive expense 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 cash flows statement;
- the statement of changes in equity; and
- the related notes 1 to 21.

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.

Independent auditor's report to the members of Scottish Widows Services Limited (continued)**Responsibilities of directors**

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included International Financial Reporting Standards, Companies Act 2006 and UK pensions 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. These included UK Bribery Act, General Data Protection Regulation, and UK Employment Law.

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

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.

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

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 concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

Matters on which we are required to report by exception.

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Charlie Scarr ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 September 2025

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Note	£000	£000
Revenue	3	1,054,205	982,674
Net Interest receivable in respect of defined benefit pension scheme	7	10,027	11,762
Operating expenses	4	(1,058,797)	(978,515)
Operating Profit		5,435	15,921
Investment income		9,699	5,169
Profit before tax		15,134	21,090
Taxation	8	2,401	(7,719)
Profit for the year		17,535	13,371
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefits obligations, net of tax	14c	(29,641)	(30,426)
Other comprehensive expenses		(29,641)	(30,426)
Total comprehensive expense for the year		(12,106)	(17,055)

The notes set out on pages 19 to 43 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	2024 £000	2023 £000
ASSETS			
Intangible assets	9	-	7,561
Retirement benefit asset	14	182,770	210,388
Financial assets:			
At amortised cost:			
Loans and other receivables	11	234,147	204,518
Current tax assets	10	728	-
Cash and cash equivalents	12	223,548	201,304
Total assets		641,193	623,771
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's shareholder	13		
Share capital		81,000	81,000
Retained earnings		314,180	326,286
Total equity		395,180	407,286
LIABILITIES			
Current tax liabilities	10	-	13,801
Accruals	15	26,865	33,472
Financial liabilities:			
Trade and other payables	16	180,711	125,463
Deferred tax liabilities	10	38,437	43,749
Total liabilities		246,013	216,485
Total liabilities and equity		641,193	623,771

The notes set out on pages 19 to 43 are an integral part of these financial statements.

The financial statements on pages 15 to 43 were approved by the Board of Directors on 23 September 2025, signed on its behalf and authorised for issue by



R A Messenger
Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Note	£000	£000
Cash flows from operating activities			
Profit before tax		15,134	21,090
Adjustments for:			
Amortisation of intangible assets	9	7,561	13,430
Investment income		(9,699)	(5,169)
Net movement in operating assets and liabilities	17	46,630	(29,461)
Remeasurement of net defined benefit obligations	14c	(39,521)	(40,568)
Taxation (paid)/received		(7,560)	1,063
Net cash generated/ (used in) from operating activities		12,545	(39,615)
Cash flows from investing activities			
Investment income		9,699	5,169
Net cash generated from investing activities		9,699	5,169
Net increase in cash and cash equivalents		22,244	(34,446)
Cash and cash equivalents at the beginning of the year		201,304	235,750
Cash and cash equivalents at the end of the year	12	223,548	201,304

The notes set out on pages 19 to 43 are an integral part of these financial statements.

Note that financing cash flows are nil in 2024 and 2023.

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

	Share capital £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2023	81,000	343,341	424,341
Profit for the year		13,371	13,371
Other comprehensive expenses			
Remeasurements of retirement benefit obligations, net of tax (note 14c)	-	(30,426)	(30,426)
Total comprehensive expense for the year	-	(17,055)	(17,055)
Balance as at 31 December 2023	81,000	326,286	407,286
Profit for the year		17,535	17,535
Other comprehensive expenses			
Remeasurements of retirement benefit obligations, net of tax (note 14c)	-	(29,641)	(29,641)
Total comprehensive expense for the year	-	(12,106)	(12,106)
Balance as at 31 December 2024	81,000	314,180	395,180

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

The notes set out on pages 19 to 43 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:

- in accordance with the International Accounting Standards ('IASS') and in conformity with the requirements of the Companies Act 2006; and
- under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

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

Standards and interpretations effective in 2024

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

Future accounting developments

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

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

(b) Financial assets and financial liabilities

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**1. Accounting policies (continued)****(b) Financial assets and financial liabilities (continued)**

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

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

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

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

(c) Fair value methodology

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

(i) Level 1

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

(ii) Level 2

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

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

Examples of these are securities measured using discounted cash flow models based on market observable swap yields such as Over the Counter interest 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 18. 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.

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

1. Accounting policies (continued)**(c) Fair value methodology (continued)**

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

(d) Revenue recognition**Revenue**

Revenue is recognised as the related expenses are incurred. Revenue is generated, as per the shared service agreement, where the Company charges other Lloyds Banking Group companies for costs incurred as a result of the services provided including staff costs, service costs together with management charges which are on an arms-length basis and include a variable margin.

Revenue is recognised on a gross basis due to the Company being considered to be the Principal of the services supplied.

Investment income

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

(e) Expense recognition**Staff costs and other employee related costs**

Staff costs and other employee related costs are recognised in the statement of comprehensive income as incurred, within operating expenses.

Net Interest receivable in respect of defined benefit pension scheme

This reflects the extent to which interest income on plan assets is greater than the interest cost on defined benefit pension scheme obligations. Policy (k) sets out further information on the accounting for retirement benefit obligations.

Operating expenses

Operating expenses are recognised in the statement of comprehensive income within the period incurred, within operating expenses.

Share-based payments

Lloyds Banking Group operates a number of equity-settled, share-based compensation plans in respect of services received from certain of the Company's employees. The value of the employee services received in exchange for equity instruments granted under these plans is recognised as an expense over the vesting period of the instruments. This expense is determined by Lloyds Banking Group by reference to the fair value of the number of equity instruments that are expected to vest, and the appropriate proportion is recharged to, and recognised as an expense by the Company.

(f) Intangible assets**Software development costs**

Costs that are directly associated with the acquisition of software licences and the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets, subject to de minimis limits. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised through the statement of comprehensive income as an expense as incurred, within operating expenses.

Computer software development costs recognised as assets are valued at cost and amortised using the straight-line method over their expected useful lives, not exceeding a period of seven years. Subsequent expenditure is only capitalised when it increases the expected future economic benefits of the specific asset to which it relates.

The amortisation charge for the year in respect of software licences and software development costs is recognised through the statement of comprehensive income, within operating expenses. The carrying value of the assets is tested for impairment at each reporting date. Further information on the Company's impairment policy is set out at policy (h).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**1. Accounting policies (continued)****(g) Cash and cash equivalents**

Cash and cash equivalents include cash at bank and investments in liquidity funds, which are short-term highly liquid investments (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**

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

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

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**1. Accounting policies (continued)****(h) Impairment (continued)****Non-financial assets**

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) Taxation

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

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs (HMRC) or another 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.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

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

(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 (CONTINUED)**1. Accounting policies (continued)****(k) Retirement benefit obligations**

Individuals employed by the Company may be members of the Scottish Widows Retirement Benefits Scheme ("SWRBS") or of other pension schemes administered by Lloyds Banking Group. All schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

The Company contributes to both defined benefit and defined contribution elements of the pension schemes in question. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary. A defined contribution plan is a pension plan under which the Company pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

(i) SWRBS

A full actuarial valuation of this defined benefit scheme is carried out at least every three years with interim reviews in the intervening years; the valuation is updated to 31 December each year by a qualified actuary. For the purposes of these annual updates, scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using the projected unit credit method by an independent, qualified actuary appointed by Lloyds Banking Group.

The amount recognised in the balance sheet in respect of the defined benefit element of the pension scheme is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates equivalent to the market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that are approximate to the terms of the related pension asset/liability.

A surplus is only recognised to the extent that it is recoverable through a right to make reduced contributions in the future or to receive a refund from the scheme. The Company recognises any change in the effect of the surplus that can be recognised in other comprehensive income within remeasurements of the retirement benefit asset.

The Company recognises in profit or loss the current service cost of providing pension benefits and the net interest on the net defined benefit obligation. The current service cost is recognised within other pension costs.

The net interest on the net defined benefit obligation is recognised within finance costs, and is determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period to the net defined benefit obligation at that date, taking account of changes in the net defined benefit obligation during the period as a result of contributions and benefit payments.

Past service costs are changes in the defined benefit obligation arising from plan amendments or curtailments and are recognised immediately in profit or loss, within operating expenses, when the plan amendment or curtailment occurs. The Company recognises the gain or loss on a settlement of the defined benefit obligation immediately in profit or loss when the settlement occurs.

The Company recognises in other comprehensive income, within remeasurements of the retirement benefit obligations, actuarial gains and losses arising from experience adjustments and changes in the actuarial assumptions, and the return on plan assets excluding the net interest on the net defined benefit obligation that is recognised in profit or loss.

(ii) Defined contribution schemes

Contributions made by the Company to defined contribution arrangements, including Your Tomorrow, are recognised in the statement of comprehensive income as an employee benefit expense when they are due, within staff costs and other employee related costs.

(l) Accruals

Accruals relate to expenses incurred in the year but not yet paid and are recognised within operating expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**1. Accounting policies (continued)****(m) Reimbursement Asset / Liability**

On the transfer of ownership of the SWRBS, the Company entered into a tripartite agreement with Scottish Widows Limited and Lloyds Bank plc which required Scottish Widows Limited to make a one off £284m payment to the Company, in exchange for Lloyds Bank plc bearing the exposure to volatility risks on the SWRBS.

At the closure of the scheme, any actuarial losses incurred in excess of the payment will be reimbursed by Lloyds Bank plc and any actuarial gains generated in excess of the cumulative actuarial losses covered by the capital payment will be passed on to Lloyds Bank plc, in line with the Tripartite agreement between Scottish Widows Limited and Lloyds Bank plc dated 2nd May 2018.

The Company's position is formally reviewed annually and fair valued. The expected volatility of future actuarial gains and losses, the time scale to the end of the Scheme, currently estimated in excess of 80 years, have resulted in the fair value liability being immaterial as at the current year end.

2. Critical accounting judgements and key sources of estimation uncertainty

The Company's management makes estimates and judgements that affect the reported amount of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical accounting judgement**a) Treatment of the risk premium payment / capital receipt in 2018**

Judgement is applied in considering the appropriate accounting basis on which the £284m payment received by the Company in 2018 from SWL has been recorded in the financial statements. In addition the Directors exercise judgement in determining the ongoing accounting treatment of this transaction.

b) Recoverability / potential restrictions on pension surplus

Judgement is applied in considering the extent to which IFRIC 14 / IAS19 ceiling limits on defined benefit assets and minimum funding requirements are required.

Key sources of estimation uncertainty**c) Retirement benefit obligations**

The majority of the Company's employees who were a member of a defined benefit scheme were members of the SWRBS. Remaining employees are members of the Your Tomorrow defined contribution scheme.

The Company's defined benefit obligation represents 100% of the SWRBS pension scheme due to the Company being the participating employer. The accounting valuation of the Lloyds Banking Group's defined benefit pension schemes' liabilities requires management to make a number of assumptions. The key areas of estimation uncertainty are inflation, the discount rate applied to future cash flows and the expected lifetime of the schemes' members. Lloyds Banking Group considers latest market practice and actual experience in determining the appropriate assumptions for both current mortality expectations and the rate of future mortality improvement. It is uncertain whether this rate of improvement will be sustained going forward and, as a result, actual experience may differ from current expectations. Further information on these liabilities is given in note 14.

d) Valuation of the risk premium payment / capital receipt in 2018

The ongoing valuation of the risk premium payment requires the Directors to estimate the fair value of any reimbursement asset or liability arising. The key inputs into these estimates are in relation to the length of duration of the SWRBS pension scheme as well as the discount rate and are outlined in note 14 a) iii).

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

3. Revenue

	2024	2023
	£000	£000
Management charges	1,053,898	981,562
Pension management income retained by the Company	307	1,112
Total	1,054,205	982,674

4. Operating expenses

	2024	2023
	£000	£000
Group recharges from Lloyds Banking Group	586,807	565,527
Other operating expenses	471,990	412,988
Total	1,058,797	978,515

5a. Staff costs and other employee related costs

Prior year staff costs and operating expenses have been reanalysed to ensure that staff costs reflect the costs of employees who are contractually employed by the Company. These costs, along with those incurred in the current year, have been included in other operating expenses. This has reduced the wages and salaries, social security costs, and other pension costs for the 2023 disclosure below by £66.0m, £12.6m, and £17.8m respectively.

	2024	2023
	£000	*restated £000
Wages and salaries*	41,871	39,440
Social security costs*	4,964	5,026
Other pension costs*	7,806	7,292
Total	54,641	51,758

In addition to the above, the following costs in respect of employees contractually employed by the Company but where the associated staff costs have been borne by other Group entities is shown below:

	2024	2023
	£000	£000
Wages and salaries	49,550	51,650
Social security costs	5,569	6,129
Other pension costs	8,966	9,694
Total	64,085	67,473

Share based payments

The charge to the statement of comprehensive income is as follows:

	2024	2023
	£000	£000
Deferred bonus plan	21,494	14,796
Executive and SAYE plans	2,178	6,096
Share matching scheme	1,416	866
Total	25,088	21,758

During the year ended 31 December 2024, the Company received the above charges relating to share-based payment schemes, which are presented using a cost centre view. All share-based payment schemes are operated by Lloyds Banking Group and are equity settled.

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

5a. Staff costs and other employee related costs (continued)

Deferred bonus plans

Lloyds Banking Group operates a number of deferred bonus plans that are equity settled. Bonuses in respect of employee performance in 2024 have been recognised in the charge in line with the proportion of the deferral period completed.

Save-As-You-Earn schemes

Eligible employees may enter into contracts through the Save-As-You-Earn schemes to save up to £500 per month and, at the expiry of a fixed term of three or five years, have the option to use these savings within six months of the expiry of the fixed term to acquire shares in Lloyds Banking Group at a discounted price of no less than 80 per cent of the market price at the start of the invitation.

Other share option plans

Lloyds Banking Group Executive Share Plan 2003

The Plan was adopted in December 2003 and under the Plan share options may be granted to senior employees. Options under this plan have been granted specifically to facilitate recruitment and as such were not subject to any performance conditions. The Plan is used not only to compensate new recruits for any lost share awards but also to make grants to key individuals for retention purposes with, in some instances, the grant being made subject to individual performance conditions.

Lloyds Banking Group Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) introduced in 2006 is aimed at delivering shareholder value by linking the receipt of shares to an improvement in the performance of Lloyds Banking Group over a three year period. Awards are made within limits set by the rules of the LTIP, with the limits determining the maximum number of shares that can be awarded equating to three times annual salary. In exceptional circumstances this may increase to four times annual salary.

Participants may be entitled to any dividends paid during the vesting period if the performance conditions are met. An amount equal in value to any dividends paid between the award date and the date the Remuneration Committee determine that the performance conditions were met may be paid, based on the number of shares that vest. The Remuneration Committee will determine if any dividends are to be paid in cash or in shares.

Set out below is a summary of options granted under the plan:

	2024	2023
	Number of shares	Number of shares
Outstanding at 1 January	9,124,780	5,625,496
Granted	-	3,917,860
Vested	-	-
Forfeited	(4,983,984)	(418,576)
Total	4,140,796	9,124,780

The plan, approved at the LBG 2020 AGM and introduced in 2021, replaced the Executive Group Ownership Share Plan and is intended to provide alignment to LBG's aim of delivering sustainable returns to shareholders, supported by its values and behaviours.

The awards in respect of the 2022 grant are due to vest in 2025 at a rate of 100 per cent. The number of shares awarded has been determined by applying a share price adjusted to exclude the value of estimated future dividends.

The weighted average fair value of awards granted in the year was £nil per share (2023: £0.42).

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

5a. Staff costs and other employee related costs (continued)

Other share option plans (continued)

Lloyds Banking Group Long-Term Incentive Plan (continued)

The fair value calculations as at 31 December 2024 for grants made in the year, using Black-Scholes models and Monte-Carlo simulation, are based on the following assumptions:

	Save-as-you-earn	Executive Share Plan 2003	LTIP
Weighted average risk-free interest rate	3.58%	4.35%	4.07%
Weighted average expected life	3.3 years	1.3 years	4.4 years
Weighted average expected volatility	25%	23%	29%
Weighted average expected dividend yield	6.0%	7.0%	7.0%
Weighted average share price	£0.58	£0.56	£0.48
Weighted average exercise price	£0.52	Nil	Nil

Expected volatility is a measure of the amount by which Lloyds Banking Group's shares are expected to fluctuate during the life of an option. The expected volatility is estimated based on the historical volatility of the closing daily share price over the most recent period that is commensurate with the expected life of the option. The historical volatility is compared to the implied volatility generated from market traded options in Lloyds Banking Group's shares to assess the reasonableness of the historical volatility and adjustments made where appropriate.

Matching shares

Lloyds Banking Group undertakes to match shares purchased by employees up to the value of £45 per month; these matching shares are held in trust for a mandatory period of three years on the employee's behalf, during which period the employee is entitled to any dividends paid on such shares. The award is subject to a non-market based condition: if an employee leaves within this three year period for other than a 'good' reason, all of the matching shares are forfeited. Similarly if the employees sell their purchased shares within three years, their matching shares are forfeited.

5b. Number of employees

The average monthly number of employees contractually employed by the Company is as follows:

	2024 No.	2023 restated No.
Employees with staff costs borne by the Company	652	645
Employees with staff costs borne by other Group entities	920	1,035
Total	1,572	1,680

The staff costs borne by the Company in the above table are recharged to Scottish Widows Group companies. Note that average number of employees can only be disclosed into one category.

The above numbers have been restated to reflect those individuals under contracts of employment with the Company, this has resulted in an overall decrease of 231 employees.

6. Auditor's remuneration

	2024 £000	2023 £000
Fees payable to the Company's Auditor for the audit of the Company's annual financial statements	61	59
Total	61	59

The Auditor's remuneration disclosed in operating expenses (included within Other operating expenses - note 4) includes amounts relating to and recharged to companies within the IP&I division and disclosed in the financial statements of those companies.

During the year, the audit fee in respect of the audit of SWRBS was £61.4k (2023: £59.4k).

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

7. Net Interest receivable in respect of defined benefit pension scheme

	2024	2023
	£000	£000
Expected return on defined benefit pension scheme assets	48,131	49,340
Interest cost on defined benefit pension scheme obligation	(38,104)	(37,578)
Total	10,027	11,762

8. Taxation

(a) Current year tax charge

	2024	2023
	£000	£000
UK corporation tax:		
Current tax on taxable profit for the year	(2,247)	(3,275)
Adjustment in respect of prior years	6,240	-
Total current tax credit/(charge)	3,993	(3,275)
Deferred tax:		
Origination and reversal of timing differences	(1,592)	(1,825)
Adjustment in respect of prior years	-	(2,266)
Impact of deferred tax rate change	-	(353)
Total deferred tax charge	(1,592)	(4,444)
Total income tax credit/(charge)	2,401	(7,719)

Corporation tax is calculated at a rate of 25% (2023: 23.50 %) of the taxable profit for the year.

(b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard United Kingdom corporation taxation rate to the profit before tax to the actual tax charge for the year is given below:

	2024	2023
	£000	£000
Profit before tax	15,134	21,090
Tax charge thereon at UK corporation tax rate of 25% (2023: 23.50%)	(3,783)	(4,956)
Factors affecting charge:		
Disallowed items	(56)	(144)
Non-taxable items	-	-
Adjustments in respect of prior years	6,240	(2,266)
Effect of increase in future tax rate and related impacts	-	(353)
Total	2,401	(7,719)
Effective rate	15.86%	36.60%

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 (CONTINUED)

9. Intangible assets

Software development costs

	2024	2023
	£000	£000
Cost		
At 1 January	110,233	145,237
Disposals	(45,077)	(35,004)
At 31 December	65,156	110,233
Accumulated amortisation		
At 1 January	102,672	124,246
Amortisation charge for the year	7,561	13,430
Amortisation on disposals	(45,077)	(35,004)
At 31 December	65,156	102,672
Carrying amount		
At 31 December	-	7,561

Of the above total for software development costs, £nil is expected to be amortised more than one year after the reporting date (2023: £nil). Items fully amortised in the year have been written off as disposals. There were no additions in the year (2023: £nil), due to assets now being administered by Lloyds Banking Group and recharged to the Company through Group recharges from Lloyds Banking Group in operating expenses.

10. Tax assets and liabilities

	2024	2023
	£000	£000
Current tax assets/(liabilities)	728	(14,436)
Deferred tax (liabilities)	(38,437)	(43,749)
Total tax (liabilities)	(37,709)	(58,185)

Recognised deferred tax

	2024	2023
	£000	£000
Deferred tax liabilities comprise:		
Pension and other post-retirement benefits	(45,692)	(52,597)
Accelerated capital allowances	7,255	8,848
Share based payments	-	-
Total deferred tax liabilities	(38,437)	(43,749)

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

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

10. Tax assets and liabilities (continued)

Recognised deferred tax (continued)

The movement in the deferred tax (liability) for the year ended 31 December is as follows:

2024	Total £000	Pension & other post retirement obligations £000	Accelerated capital allowances £000	Pension spreading £000	Share based payments £000
Opening balance as at 1 January 2024	(43,749)	(52,597)	8,848	-	-
(Charge) / credit to:					
- profit or loss	(1,593)	-	(1,593)	-	-
- other comprehensive income	6,905	6,905	-	-	-
Closing balance as at 31 December 2024	(38,437)	(45,692)	7,255	-	-

2023	Total £000	Pension & other post retirement obligations £000	Accelerated capital allowances £000	Pension spreading £000	Share based payments £000
Opening balance as at 1 January 2023	(45,744)	(58,800)	10,790	-	2,266
(Charge) / credit to:					
- profit or loss	(4,444)	(236)	(1,942)	-	(2,266)
- other comprehensive income	6,439	6,439	-	-	-
Closing balance as at 31 December 2023	(43,749)	(52,597)	8,848	-	-

11. Loans and other receivables

	2024 £000	2023 £000
Amounts due from Group undertakings (note 19)	206,554	178,752
Accrued income	23,243	19,351
Other receivables	4,350	6,415
Total	234,147	204,518

None of the above balances are interest-bearing (2023: £nil). Of the above total £nil (2023: £nil) is expected to be recovered more than one year after the reporting date.

Information in respect of credit risk is given in note 18.

Further information relating to amounts due from Group undertakings, which are the same as internal trade receivables, is set out in note 19.

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

12. 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 held through a liquidity fund	223,548	201,304
Total	223,548	201,304

13. Capital and reserves attributable to Company's shareholder

	2024 £'000	2023 £'000
Share capital		
Authorised, issued and fully paid share capital:		
81,000,000 (2023: 81,000,000) shares of £1 each	81,000	81,000
Retained earnings	314,180	326,286

14. Retirement benefit asset

The Company's employees may be members of the SWRBS, which provides defined benefits, or members of Lloyds Banking Group Schemes, which provide defined benefits and/or defined contribution benefits to the members of those schemes.

(a) SWRBS

(i) Characteristics of the SWRBS

The SWRBS is a funded scheme in the UK, operated as a separate legal entity under trust law by Scottish Widows Pension Trustees Limited until 31 December 2018 in compliance with the Pensions Act 2004. As at 1 January 2019, Scottish Widows Pension Trustees Limited was replaced by Lloyds Banking Group Pension Trustee Limited ("the Trustee"). A valuation exercise is carried out for the scheme at least every three years, whereby scheme assets are measured at market value and liabilities (technical provisions) are measured using prudent assumptions. If a deficit is identified a recovery plan is agreed between the Company and the Trustee and sent to the Pensions Regulator for review. The Company has not provided for these deficit contributions as the future economic benefits arising from these contributions are expected to be available to the Company.

The most recent triennial valuation took place as at 31 December 2021 and showed that the scheme had a surplus of £29m on an actuarial funding basis. No recovery plan was therefore required. The company agreed to continue making contributions in respect of future service of active members and to cover the costs of running the scheme. The Company paid contributions of approximately £9.7m to the SWRBS in 2024 (2023: £10.1m). Employee contributions made during the year were £nil (2023: £nil).

The technical provisions liabilities differ from the liabilities assessed under IAS19, with technical provisions typically being more prudent. The IAS19 liabilities in these financial statements have been calculated by an independent, qualified actuary appointed by Lloyds Banking Group.

The responsibility for the governance of the SWRBS lies with the Trustee, whose role is to ensure that the SWRBS is administered in accordance with the SWRBS rules and relevant legislation, and to safeguard the assets in the best interests of all members and beneficiaries. The Trustee is solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. The Trustee must be a representative of the Company and plan participants in accordance with the SWRBS's regulations.

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

14. Retirement benefit asset/(liability) (continued)
(a) SWRBS (continued)
(ii) Amounts recognised in the Financial Statements

The amounts recognised in the Company's balance sheet are as follows:

	2024	2023
	£000	£000
Fair value of scheme assets	930,162	1,035,995
Present value of defined benefit obligations	(747,392)	(825,607)
Surplus recognised in the balance sheet	182,770	210,388

The following tables present a further analysis of the amounts recognised in the Company's balance sheet:

	2024	2023
	£000	£000
Net amount recognised in the balance sheet		
At 1 January	210,388	235,199
Service cost	(4,536)	(3,825)
Net interest on net defined benefit asset/liability	10,027	11,762
Remeasurement effects recognised in other comprehensive income	(39,521)	(40,568)
Employer contributions	9,682	10,147
Administration costs incurred during the year	(3,270)	(2,328)
Exchange and other adjustments	-	1
At 31 December	182,770	210,388

	2024	2023
	£000	£000
Movements in the defined benefit obligation		
At 1 January	825,607	774,143
Current service cost	3,764	3,825
Interest expense	38,104	37,578
Remeasurements:		
Actuarial losses – experience	12,119	43,805
Actuarial (gains) – demographic assumptions	(8,551)	(10,810)
Actuarial losses/(gains) – financial assumptions	(84,230)	11,835
Benefits paid	(40,193)	(34,768)
Past service cost - plan amendments	772	-
Exchange and other adjustments	-	(1)
At 31 December	747,392	825,607

In July 2018, a decision was sought from the High Court in respect of the requirement to equalise the Guaranteed Minimum Pension ("GMP") benefits accrued between 1990 and 1997 from contracting out of the State Earnings Related Pension Scheme. In its judgement handed down on 26 October 2018 the High Court confirmed the requirement to treat men and women equally with respect to these benefits and a range of methods that the Trustee is entitled to adopt to achieve equalisation. Lloyds Banking Group recognised a past service cost of £3.4 million for the SWRBS in respect of equalisation in 2018 and a further £1.2m was recognised in 2019. Following further assessment of the costs of equalisation, an additional £0.9m for the SWRBS was recognised in 2020. This is based on a number of assumptions and the actual impact may be different.

In July 2024, the Court of Appeal handed down a judgment (Virgin Media Limited v NTL Pension Trustees Limited) which potentially has implications for the validity of amendments made by pension schemes that were contracted out on a salary-related basis between 6 April 1997 and the abolition of contracting-out in 2016. The Government in June 2025, recognising that schemes and sponsoring employers need clarity around scheme liabilities, announced it will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

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

14. Retirement benefit asset/(liability) (continued)

(a) SWRBS (continued)

(ii) Amounts recognised in the Financial Statements of the SWRBS (continued)

The Company will continue to monitor developments to decide whether any subsequent actions or amendments to IAS 19 liabilities are required.

The following tables provide an analysis of the SWRBS assets:

	2024 £000	2023 £000
Changes in the fair value of scheme assets		
At 1 January	1,035,995	1,009,342
Return on plan assets greater/(less) than discount rate	(120,183)	4,262
Interest income	48,131	49,340
Employer contributions	9,682	10,147
Benefits paid	(40,193)	(34,768)
Administrative costs paid	(3,270)	(2,328)
At 31 December	930,162	1,035,995

	Fair value of assets with quoted prices £000	2024 Fair value of assets with unquoted prices £000	Total £000	Fair value of assets with quoted prices £000	2023 Fair value of assets with unquoted prices £000	Total £000
Debt instruments	1,005,516	-	1,005,516	1,143,771	-	1,143,771
Pooled investment vehicles	181,532	36,522	218,054	159,999	109,204	269,203
Derivatives	30,180	-	30,180	23,621	-	23,621
Money market instruments, cash and other assets and liabilities	3,887	(327,475)	(323,588)	2,595	(403,195)	(400,600)
Total fair value of scheme assets	1,221,115	(290,953)	930,162	1,329,986	(293,991)	1,035,995

Note that the negative Money market instruments figures show the cash value of the gilt repurchase agreements held by SWRBS. The value is negative as the scheme has effectively borrowed the cash which will need to be repaid at a future date.

An analysis of the SWRBS debt securities is provided below:

2024	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	BB or lower £000	Not rated £000
Government bonds	6,439	-	6,439	-	-	-	-
Index linked government bonds	726,088	-	726,088	-	-	-	-
Total fair value of scheme assets	732,527	-	732,527	-	-	-	-

2023	Total £000	AAA £000	AA £000	A £000	BBB or lower £000	BB or lower £000	Not rated £000
Government bonds	120,704	-	120,704	-	-	-	-
Index linked government bonds	796,115	-	796,115	-	-	-	-
Total fair value of scheme assets	916,819	-	916,819	-	-	-	-

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

14. Retirement benefit asset/(liability) (continued)

(a) SWRBS (continued)

(ii) Amounts recognised in the Financial Statements of the SWRBS (continued)

The SWRBS pooled investment vehicles comprise:

	2024	2023
	£000	£000
Equity funds	-	48,127
Bond funds	162,174	154,929
Alternative credit funds	27,192	48,387
Cash funds	28,688	17,760
At 31 December	218,054	269,203

The expense recognised in the statement of comprehensive income for the year ended 31 December comprises:

	2024	2023
	£000	£000
Current service cost	3,764	3,825
Past service cost - plan amendments	772	-
Net interest amount	(10,027)	(11,762)
Plan administration costs incurred in the year	3,270	2,328
Net expense recognised	(2,221)	(5,609)

The principal actuarial and financial assumptions used in valuations of the SWRBS were as follows:

	2024	2023
	%	%
Discount rate	5.55%	4.70%
Rate of inflation:		
Retail Prices Index	2.88%	2.88%
Consumer Prices Index	2.54%	2.45%
Weighted-average rate of increase for pensions in payment	2.79%	2.79%

	2024	2023
	Years	Years
Life expectancy for member aged 60, on the valuation date:		
Men	27	27.3
Women	28.3	28.4
Life expectancy for member aged 60, 15 years after the valuation date:		
Men	26.6	27.0
Women	28.9	29.3

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

14. Retirement benefit asset/(liability) (continued)
 (a) SWRBS (continued)
 (iii) Amount, timing and uncertainty of future cash flows

Risk exposure of the SWRBS

The SWRBS is exposed to a number of risks, detailed below. Lloyds Banking Group has a specialist pension committee that governs and monitors the risk exposed to the SWRBS.

Inflation rate risk: the SWRBS benefit obligations are linked to inflation both in deferment and once in payment. Higher inflation will lead to higher liabilities although this will be partially offset by holdings of inflation-linked gilts and inflation swaps.

Interest rate risk: The defined benefit obligation is determined using a discount rate derived from yields on AA-rated corporate bonds. A decrease in corporate bond yields will increase plan liabilities although this will be partially offset by an increase in the value of bond holdings and derivatives.

Longevity risk: The SWRBS obligations are to provide benefits for the life of the members so increases in life expectancy, for example as a result of increasing improvements to life expectancy from current estimates, will result in an increase in the scheme's liabilities.

Investment risk: SWRBS assets are invested in a diversified portfolio of debt securities and other return-seeking assets. If the assets underperform the discount rate used to calculate the defined benefit obligation, it will reduce the surplus or increase the deficit. Volatility in asset values and the discount rate will lead to volatility in the net pension liability on the Company's balance sheet and in other comprehensive income. To a lesser extent this will also lead to volatility in the IAS 19 pension expense in the Company's statement of comprehensive income.

The ultimate cost of the defined benefit obligations will depend upon actual future events rather than the assumptions made. The assumptions made are unlikely to be borne out in practice and as such the cost may be higher or lower than expected.

Details of the guarantee to the trustees of the SWRBS are provided below which clarify the Company's exposure to entity specific or scheme specific risks in relation to the SWRBS.

Sensitivity analysis

The effect of reasonably possible changes in key assumptions on the value of the SWRBS liabilities and the resulting pension charge in the Company's statement of comprehensive income and on the net defined benefit pension scheme asset is set out below. The sensitivities provided assume that all other assumptions and the value of the SWRBS assets remaining unchanged, and are not intended to represent changes that are at the extremes of possibility. The calculations are approximate in nature and full detailed calculations could lead to a different result. It is unlikely that isolated changes to individual assumptions will be experienced in practice. Due to the correlation of assumptions, aggregating the effects of these isolated changes may not be a reasonable estimate of the actual effect of simultaneous changes in multiple assumptions.

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

14. Retirement benefit asset/(liability) (continued)
 (a) SWRBS (continued)
 (iii) Amount, timing and uncertainty of future cash flows (continued)
 Sensitivity analysis (continued)

	Effect of reasonably possible alternative assumptions			
	Increase (decrease) in the income statement charge		Increase (decrease) in the net defined benefit pension scheme asset	
	2024	2023	2024	2023
	£000	£000	£000	£000
Central basis	5,468	4,291	182,770	210,388
Inflation:				
Increase of 0.1 per cent	(1,268)	(515)	(21,237)	(9,852)
Decrease of 0.1 per cent	1,234	539	20,675	10,332
Discount rate:				
Increase of 0.1 per cent	1,938	835	23,344	11,462
Decrease of 0.1 per cent	(1,870)	(821)	(24,164)	(11,620)
Expected life expectancy of members:				
Increase of one year	(1,279)	(1,306)	(22,160)	(26,134)
Decrease of one year	1,317	1,333	22,825	26,684

Sensitivity analysis method and assumptions

The inflation assumption sensitivity applies to both the assumed rate of increase in the Consumer Prices Index (CPI) and the Retail Prices Index (RPI). The assumed pension increases before and after retirement are linked to inflation (either CPI or RPI) subject to certain minimum and maximum limits. The inflation assumption sensitivity allows for a corresponding impact of changing the inflation assumption as the assumed pension increases both before and after retirement.

The sensitivity analysis does not include the impact of any possible change in the rate of salary increases as pensionable salaries have been frozen since 2 April 2014.

The life expectancy assumption has been applied by allowing for an increase/decrease in life expectation from age 60 of one year, based upon the approximate weighted average age. Whilst this is an approximate approach and will not give the same result as a one year increase in life expectancy at every age, it provides an appropriate indication of the potential impact on the schemes from changes in life expectancy.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from the prior year.

Asset-liability matching strategies

The SWRBS investment strategy is determined by the Trustee in consultation with Lloyds Bank plc as the principal employer. It is regularly reviewed and developed. The objective is to reduce the volatility of the SWRBS funding position caused by changes in market expectations of interest rates and inflation and the assets are structured to take into account the profile of the SWRBS liabilities through holdings of debt securities and use of derivatives.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit pension obligation is 13 years (2023: 15 years).

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

14. Retirement benefit asset/(liability) (continued)**(b) Defined contribution schemes**

The SWRBS also includes a defined contribution section; remaining employees are members of the Your Tomorrow defined contribution scheme. During the year ended 31 December 2024, the charge to the Company's statement of comprehensive income in respect of the defined contributions schemes was £39.1m (2023: £22.6m), representing the contributions payable by the Company in accordance with the scheme's rules. There were no outstanding or prepaid contributions at 31 December 2024.

(c) Amounts recognised in other comprehensive income for total defined benefit schemes

Remeasurement effects recognised in other comprehensive income for the year ended 31 December are reconciled to the analyses of amounts recognised in the Company balance sheet as follows:

	2024			2023		
	Before tax	Tax credit	After tax	Before tax	Tax expense	After tax
	£000	£000	£000	£000	£000	£000
SWRBS	(39,521)	9,880	(29,641)	(40,568)	10,142	(30,426)
Total	(39,521)	9,880	(29,641)	(40,568)	10,142	(30,426)

15. Accruals

Accruals at the year-end comprise liabilities in respect of various operational activities.

	2024	2023
	£000	£000
Accruals	26,865	33,472
Total	26,865	33,472

None of the above balances (2023: £nil) are expected to be settled in more than one year after the reporting date.

16. Trade and other payables

	2024	2023
	£000	£000
Amounts due to Group undertakings (note 19)	180,581	125,001
Other payables	130	462
Total	180,711	125,463

None of the above balances are interest bearing (2023: £nil) nor expected to be settled in more than one year after the reporting date.

Further information relating to amounts due to group undertakings is set out in note 19.

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

17. Net movement in operating assets and liabilities

	2024	2023
	£000	£000
Decrease/(increase) in operating assets:		
Retirement benefit asset	27,618	24,811
Loans and other receivables	(29,629)	(70,076)
Net movement in operating assets	(2,011)	(45,265)
Increase / (decrease) in operating liabilities:		
Trade and other payables	55,248	38,431
Accruals	(6,607)	(22,626)
Net movement in operating liabilities	48,640	15,804
Net movement in operating assets and liabilities	46,630	(29,461)

18. Risk management

The Company is a service provider to subsidiary undertakings of Scottish Widows Group Limited. This note summarises the financial risks associated with the activities of the Company and the way in which the Company manages them.

(a) Governance framework

The Company is part of Lloyds Banking Group plc, which has established a risk management function with responsibility for implementing the Ring Fenced Bank risk management framework within the Company.

This enterprise-wide risk management framework for the identification, assessment, measurement and management of risk covers the full spectrum of risks that the Company is exposed to, with risks categorised according to an approved Lloyds Banking Group risk language. This covers the principal risks faced by the Company.

The performance of the Company depends on its ability to manage these risks.

(b) Risk appetite

Risk appetite is the amount and type of risk that the Company Board is prepared to seek, accept or tolerate and is fully aligned to the Ring Fenced Bank strategy. Principal risks and uncertainties are reviewed and reported regularly.

(c) Financial risks

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that there are insufficient assets to meet pension scheme obligations as these fall due. The most important components of financial risk are credit, market, liquidity and capital risk.

The financial risk that the Company primarily faces due to the nature of its financial assets is market risk. The Company manages these risks in a number of ways, including monitoring of cash flow requirements and the use of financial instruments. The Company also has indirect exposure to fluctuations in value of the SWRBS defined benefit obligation. There are two specialist pension committees that govern and monitor the risks that SWRBS is exposed to. Further information is available in note 14.

Financial assets and financial liabilities are measured on an ongoing basis 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 are recognised.

The timing of the unwind of the deferred tax assets and liabilities is dependent on the timing of the unwind of the temporary timing differences, arising between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes, to which these balances relate.

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

18. Risk management (continued)

(c) Financial risks (continued)

The sensitivity analysis given in this note in respect of interest rate risk is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in assumptions may be correlated. The sensitivity analysis presented also represents, in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures", management's assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

(i) Credit risk

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

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

Credit risk to the Company arises primarily from exposure to trade debtors and financial assets at fair value through profit or loss. Exposure to trade debtors is assessed on a case by case basis, using a credit rating agency where appropriate.

The following table sets out details of financial assets:

	2024	2023
	£000	£000
Amounts due from Group undertakings	206,554	178,752
Other receivables	4,350	6,415
Accrued income	23,243	19,351
Cash and cash equivalents	223,548	201,304
Total assets bearing credit risk	457,695	405,822

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

As at 31 December 2024

	Total £000	AAA £000	AA £000	A £000	BBB or Lower £000	Not rated £000
Stage 1 assets						
Accrued income	23,243	-	-	-	-	23,243
Other receivables	4,350	-	-	-	-	4,350
Exposure to credit risk	27,593	-	-	-	-	27,593
Simplified approach						
Amounts due from Group undertakings	206,554	-	-	194,804	-	11,750
Exposure to credit risk	206,554	-	-	194,804	-	11,750
Asset at FVTPL						
Cash and cash equivalents	223,548	-	-	223,548	-	-
Total	457,695	-	-	418,352	-	39,343

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

18. Risk management (continued)
(c) Financial risks (continued)
i) Credit risk (continued)

As at 31 December 2023

	Total £000	AAA £000	AA £000	A £000	BBB or Lower £000	Not rated £000
Stage 1 assets						
Accrued income	19,351	-	-	-	-	19,351
Other receivables	6,415	-	-	-	-	6,415
Exposure to credit risk	25,766	-	-	-	-	25,766
Simplified approach						
Amounts due from Group undertakings	178,752	-	-	167,360	-	11,392
Exposure to credit risk	178,752	-	-	167,360	-	11,392
Asset at FVTPL						
Cash and cash equivalents	201,304	-	-	201,304	-	-
Total	405,822	-	-	368,664	-	37,158

Comparative figures in the credit risk table above have been updated to include accrued income. There is no impact on the financial statements.

The fair value of instruments recognised at amortised cost is an appropriate approximation of their fair value.

There are no expected losses to be recognised for stage 1 assets. In addition, there are no expected losses to be recognised for simplified approach - amounts due from Group Undertakings as the counterparties are Lloyds Banking Group entities.

ii) **Liquidity risk**

Liquidity risk is the risk that the Company has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or from the inability to generate cash inflows as anticipated.

Liquidity risk has been analysed as arising from the settlement of balances owed to other Group undertakings of £180.6m (2023: £125.0m) and other payables of £0.1m (2023: £0.5m). These amounts are all contractually due within one month from the reporting date.

iii) **Capital risk**

Capital risk is defined as the risk that the Company has a sub-optimal amount or quality of capital or that capital is inefficiently deployed across Lloyds Banking Group.

The Company's objectives when managing capital are to have sufficient capital to safeguard the Company's ability to continue as a going concern.

The Company manages the capital structure and makes adjustments to reflect changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company returns capital to the shareholder, issues new shares or sells assets.

The Company's capital comprises all components of equity, movements in which are set out in the statement of changes in equity. The Company receives most of its funding from its parent and does not raise funding externally.

iv) **Market risk**

Market risk is the risk that our capital or earnings profile is affected by adverse market rates, in particular interest rates and credit spreads in the SWRBS defined benefit pension schemes.

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

18. Risk management (continued)**(c) Financial risks (continued)****v) Interest rate risk**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. Interest rate risk arises in respect of cash balances which are either held on deposit or invested in a liquidity fund. None of the other financial assets or financial liabilities of the Company are interest-bearing.

If interest rates were to increase or decrease by 25 basis points, the impact on profit or loss after tax would be an increase or decrease respectively of £531.1k (2023: increase or decrease respectively of £385.0k) in respect of interest-bearing financial assets and financial liabilities.

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

The parent undertaking which is the parent undertaking of the smallest group to consolidate these financial statements is Lloyds Bank plc. Copies of the consolidated Annual Report and Accounts of Lloyds Bank plc may be obtained from Group Secretariat, at the registered office, 33 Old Broad Street, London EC2N 1HZ.

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

(b) Transactions and balances with related parties**Transactions between the Company and other companies in the Lloyds Banking Group**

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

Relationship	2024			
	Income during year	Expenses during year	Payable at year end	Receivable at year end
	£000	£000	£000	£000
Parent (Lloyds Bank plc)	-	586,807	151,543	10
Other related parties	1,053,898	-	29,038	206,544

Relationship	2023			
	Income during year	Expenses during year	Payable at year end	Receivable at year end
	£000	£000	£000	£000
Parent (Lloyds Bank plc)	-	547,913	19,722	9
Other related parties	981,561	17,614	105,279	178,743

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

In addition to the balances disclosed in the table, balances of £223,547,695 (2023: £201,303,556) and income of £9,699,073 (2023: £5,168,867) in funds controlled by Lloyds Banking Group meet the definition of related parties.

Transactions between the Company and key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors.

The Directors consider that they receive no remuneration for their services to the Company (2023: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)**20. 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.

21. Post balance sheet events

There are no events after the reporting date up until the date of issuance requiring disclosures in these financial statements.