

CLERICAL MEDICAL FINANCE LIMITED
(FORMERLY CLERICAL MEDICAL FINANCE PLC)

ANNUAL REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

J L Bezuidenhout
R A Messenger

Secretary

K J McKay

Independent Auditor

Deloitte LLP
9 Haymarket Square
Edinburgh
EH3 8RY

Registered Office

33 Old Broad Street
London
EC2N 1HZ

Company Number

03850542

STRATEGIC REPORT

The Directors present the audited financial statements of Clerical Medical Finance Limited ('the Company') for the year ended 31 December 2025. The Company is registered in England and Wales and is a private company Limited by share capital.

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

On 17 December 2025, the Company changed its registered name from Clerical Medical Finance plc to Clerical Medical Finance Limited. On the same date, the Company also re-registered from a public limited company to a private limited company in accordance with the provisions of Sections 77–80 and Sections 97–101 of the Companies Act 2006. These changes were duly approved by the shareholders and registered at Companies House. The re-registration and change of name do not affect the company's limited liability status.

Principal activities

The Company's principal activity was to act as a finance company for Scottish Widows Limited ('SWL'), a fellow subsidiary of Lloyds Banking Group plc. Listed subordinated debt raised by the Company was loaned to SWL on similar interest and repayment terms as those applied to the listed subordinated debt raised by the Company. The loan to SWL and listed subordinated debt raised were fully repaid in November 2019 and the Company's Directors intend to liquidate the Company once the open matters with His Majesty's Revenue and Customs ('HMRC'), as disclosed in note 11 are resolved.

Company Performance

The result of the Company for the year ended 31 December 2025 is a profit after tax of £1k (2024: £nil).

Key performance Indicators ('KPIs')

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for Lloyds Banking Group and are not managed separately for the Company. Further details of the Lloyds Banking Group's risk management policy are contained in note 9 to the financial statements.

The Company's approach to environmental, social and governance risks ("ESG") is aligned to that of Lloyds Banking Group. Further information in respect of the ESG risks in Lloyds Banking Group are included within the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2025.

Credit risk, liquidity risk, and capital risk are managed and monitored by risk teams internal to Lloyds Banking Group. Further details of these risks and the risk management policy are contained in note 9 of the financial statements.

Credit risk

Credit risk is the risk that parties with whom the Company has contracted, fail to meet their financial obligations, resulting in loss to the Company. Credit risk is managed in line with the Insurance Credit Risk Policy and the wider Lloyds Banking Group Credit Risk Policy which set out the principles of the credit control framework. Further information can be found in note 9.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by internal risk teams. The Company's ability to meet its funding obligations is closely monitored by Lloyds Banking Group's Corporate Treasury team. Further information can be found in note 9.

Capital risk

Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the across the Company. Capital risk is managed via the Capital Risk Policy, which includes tools and governance to monitor and allocate capital accordingly. Further information can be found in note 9.

STRATEGIC REPORT (continued)**Economic environment**

In 2025, the UK economy experienced modest growth alongside persistent inflation pressures. Elevated input costs and continued global uncertainty limited business investment. Technological developments, including increased adoption of artificial intelligence, supported incremental productivity gains; however, challenges such as new US trade tariffs, geopolitical tensions involving Eastern Europe and the Middle East, and ongoing supply chain disruptions continued to weigh on economic activity.

Globally, recovery remained uneven, with inflation and differing monetary policy paths contributing to variable demand conditions. As a result, many UK businesses maintained a cautious approach to investment and expansion. The Company will continue to monitor the situation and risks to the business.

Financial risk management

Disclosures relating to financial risk management are included in note 9 to the financial statements and are therefore incorporated into this report by reference.

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

This section constitutes the Company's Section 172(1) statement for the purposes of the Companies Act 2006 (the 'Act'), describing how the Directors have had regard to the matters set out in Section 172(1)(a) to (f) when fulfilling their duty to promote the success of the Company. Further detail on stakeholder interaction is contained within the Directors' Report on pages 6 to 8.

During the year, the Company was re-registered from a public limited company ('plc') to a private company limited by shares. This change in legal form did not affect the directors' statutory duties under section 172 of the Companies Act 2006. The considerations set out in this statement reflect the period during which the Company operated as a plc and the period following re-registration as a company limited by shares.

The Directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of the Scottish Widows Group maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of, the views of key stakeholders.

As a subsidiary of Lloyds Banking Group plc, the Company follows many of Lloyds Banking Group's processes and practices, which are referred to in this statement where relevant.

Stakeholder Engagement and Board Oversight

Engaging with stakeholders at every level is integral to the Company's role in supporting the delivery of Lloyds Banking Group's Helping Britain Proposer strategy.

The Board delegates day to day engagement with stakeholders to senior management as part of running the business. Senior management supports Board decision making by addressing stakeholder implications in proposals submitted to the Board for consideration.

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 Accounts for 2025, available on the Lloyds Banking Group website.

Communities and Environment

Creating a sustainable and inclusive future is core to Lloyds Banking Group's strategy and purpose of Helping Britain Prosper.

More information on how Lloyds Banking Group is embedding climate-related risks and opportunities into business operations and strategy, including Task Force on Climate-Related Financial Disclosures can be found in the Lloyds Banking Group Sustainability Report 2025 on the Lloyds Banking Group website.

On behalf of the Board of Directors



R A Messenger
Director
4th June 2026

DIRECTORS' REPORT**General information**

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (registered number 03850542).

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

Dividends

No dividends were raised or proposed during the year ended 31 December 2025 (2024: £nil).

Climate Change

The Company is a subsidiary of Lloyds Banking Group plc. Lloyds Banking Group is committed to supporting the aims of the 2015 Paris Agreement in transitioning to a more sustainable, low carbon economy and recognises the importance of embedding climate-related risks and opportunities into business operations and strategy.

The Company is supportive of the Task Force on Climate-Related Financial Disclosures (TCFD) framework and related regulatory expectations. The Company is included in the LBG Sustainability Report. This report is available on the Lloyds Banking Group website at www.lloydsbankinggroup.com/investors/esg-information.

Post balance sheet events

Further information on post balance sheet events is set out in note 13.

Directors

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

J L Bezuidenhout	Appointed	10th April 2025
M B Bhutta	Resigned	10th April 2025

Particulars of the Directors' emoluments are set out in note 10.

Company Secretary

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

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of any Director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service.

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

Auditor and 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 Directors' 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
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)**Going concern**

In preparing these financial statements, the Directors have determined that it is inappropriate to adopt the going concern basis of accounting. This decision has been made in light of the Directors' intention to place the company into liquidation. Accordingly, the financial statements have been prepared in a basis other than that of going concern.

Assets have been valued at their estimated amounts and liabilities at the amounts expected to be paid, including any costs associated with the liquidation process. No adjustment has been made for the realisation of assets in the normal course of business, as the Company will cease trading and its assets will be disposed of as part of the liquidation process.

The Directors believe that the basis of preparation provides a true and fair view of the Company's affairs in the context of the intended liquidation.

Strategic Report

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

Future developments

The Company is non-trading and the Directors have no intention of writing any new business. It is the intention of the Directors to initiate an orderly run down and place the Company into liquidation as soon as feasible.

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 UK adopted 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 the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

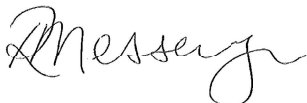
- The Company financial statements which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company;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

DIRECTORS' REPORT (continued)

Independent auditor

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

On behalf of the Board of Directors



R A Messenger

Director
4th June 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLERICAL MEDICAL FINANCE LIMITED**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of Clerical Medical Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows;
- the related notes 1 to 13.

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

Basis for opinion

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLERICAL MEDICAL FINANCE LIMITED
(continued)****Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLERICAL MEDICAL FINANCE LIMITED
(continued)****Matters on which we are required to report by exception**

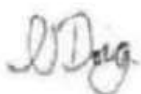
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Nikola Doig CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
4th June 2026

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 £ 000	2024 £ 000
Income			
Interest Income	3	2	-
Total income		2	-
Profit/result before tax		2	-
Taxation expense	5	(1)	-
Profit/result and total comprehensive income for the year		1	-


The notes set out on pages 16 to 21 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2025

	Note	2025 £ 000	2024 £ 000
ASSETS			
Financial assets:			
Cash and cash equivalents	6	-	232
Other receivables	7	233	-
Total assets		233	232
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity shareholder			
Share capital	8	225	225
Retained earnings		8	7
Total equity		233	232
Liabilities			
Total liabilities		-	-
Total equity and liabilities		233	232

The notes set out on pages 16 to 21 are an integral part of these financial statements.

The financial statements on pages 12 to 21 were approved by the Board of Directors on 4th June 2026 and signed on behalf of the Board.



R A Messenger
Director
4th June 2026

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
Balance as at 1 January 2024	225	7	232
Result for the year and total comprehensive income	-	-	-
Balance as at 31 December 2024	225	7	232
Profit for the year and total comprehensive income	-	1	1
Balance as at 31 December 2025	225	8	233

The notes set out on pages 16 to 21 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 £ 000	2024 £ 000
Cash flow from operating activities			
Profit before tax		2	-
Adjusted for:			
Movement in other receivables		(233)	232
Taxation paid	5	(1)	-
Net cash (outflow) / inflow from operating activities		(232)	232
Cash flow from financing activities			
Net cash outflow from financing activities		-	-
Net (Decrease) / increase in cash and cash equivalents		(232)	232
Cash and cash equivalents at the beginning of the year		232	-
Net cash and cash equivalents at the end of the year		-	232

The notes set out on pages 16 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025**1. Material accounting policies**

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

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

(a) Basis of preparation

These financial statements have been prepared:

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

In preparing these financial statements, the Directors have determined that it is inappropriate to adopt the going concern basis of accounting. This decision has been made in light of the Directors' intention to place the Company into liquidation. Accordingly, the financial statements have been prepared in a basis other than that of going concern.

Assets have been valued at their estimated amounts and liabilities at the amounts expected to be paid, including any costs associated with the liquidation process. No adjustment has been made for the realisation of assets in the normal course of business, as the Company will cease trading and its assets will be disposed of as part of the liquidation process.

The Directors believe that the basis of preparation provides a true and fair view of the Company's affairs in the context of the intended liquidation.

Standards and interpretations effective in 2025

There are no new standard and interpretations effective in 2025 that have been adopted by the Company.

(b) Interest income

Interest income consists of investment income on liquidity funds.

(c) Financial assets and financial liabilities

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)**1. Material accounting policies (continued)****(d) Impairment of financial assets**

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

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

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

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

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.

(e) Taxation

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His Majesty's Revenue and Customs (HMRC) or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

(f) Share capital

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

2. Critical accounting estimates and judgements in applying accounting policies

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)

3. Interest Income

	2025 £ 000	2024 £ 000
Interest Income	2	-
Total	2	-

4. Auditor's remuneration

	2025 £ 000	2024 £ 000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	9	9
Total	9	9

Audit fees for 2025 and 2024 were borne by another Lloyds Banking Group entity and were not recharged to the Company. No fees were paid to the auditors for non-audit services in the current or comparative period.

5. Taxation

(a) Analysis of tax expense for the year

	2025 £ 000	2024 £ 000
UK Corporation tax:		
Current tax on taxable profit for the year	(1)	-
Tax expense	(1)	-

Corporation tax is calculated at a rate of 25% (2024: 25%) of the taxable profit for the year.

(b) Factors affecting the tax expense for the year

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

	2025 £ 000	2024 £ 000
Profit before tax	2	-
Tax expense thereon at UK corporation tax rate of 25% (2024: 25%)	(1)	-
Tax expense on profit on ordinary activities	(1)	-
Effective tax rate	25%	0%

The disclosed effective rates for 2025 and 2024 are calculated using rounded values. When using actual values, the effective rate for 2025 is 25%.

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.

6. Cash and cash equivalents

	2025 £ 000	2024 £ 000
Cash at bank	-	232
Total	-	232

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)

7. Other receivables

	2025 £ 000	2024 £ 000
Amounts receivable from related party	233	-
Total	233	-

8. Share capital

	2025 £ 000	2024 £ 000
Issued and fully paid share capital:		
225,000 (2024: 225,000) ordinary shares of £1 each	225	225
Total	225	225

9. Risk management

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

The Company is exposed to a range of financial risks.

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

(a) Credit risk

The risk that parties with whom the Company has contracted, fail to meet their financial obligations, resulting in loss to the Company. There was no expected credit loss in the current or prior year.

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

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

	2025 £000	2024 £000
Other receivables	233	-
Total assets bearing credit risk	233	-

The Company had no financial assets subject to credit risk during the prior year. Accordingly, no credit rating analysis table has been presented.

No terms in respect of financial assets had been renegotiated as at 31 December 2025 or 31 December 2024.

There is limited exposure to credit risk, balances are held within the Group.

	2025 £000	2024 £000
Loans and receivables at amortised cost:		
Other receivables	233	-
Total assets bearing credit risk	233	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)

9. Risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company does not hold any cash or liquid investments as at the current year end; all surplus funds were transferred to its parent undertaking. As a result, the Company is reliant on the parent to provide funding to settle liabilities as they arise.

The parent undertaking has confirmed it will continue to provide financial support to the Company for the foreseeable future, including meeting all obligations during the period up to liquidation. Given this commitment and the low level of the Company's liabilities, the Directors consider the Company's liquidity risk to be minimal.

(c) Capital risk

Capital risk is the risk that the Company has insufficient capital to meet its obligations or to support its activities. The Company does not generate capital in its own right and holds no cash or other liquid resources, reflecting its wind down. The Company is wholly reliant on its parent undertaking for the provision of financial support.

The ultimate parent undertaking has confirmed that it will provide funding as required to enable the Company to meet all outstanding obligations up to the point of liquidation. Given the nature and scale of the Company's remaining activities, and the committed support from the parent, the Directors consider the Company's exposure to capital risk to be low.

10. Related party transactions

(a) Ultimate parent and shareholding

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

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

(b) Transactions and balances with related parties

Transactions between the Company and other companies in Lloyds Banking Group

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

Relationship	2025			
	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Other Related Parties	-	-	-	233

Relationship	2024			
	Income during year £000	Expenses during year £000	Payable at year end £000	Receivable at year end £000
Other Related Parties	-	-	-	-

All amounts payable and receivable from Lloyds Banking Group undertakings are non-interest bearing and are expected to be settled or recovered less than one year after reporting date.

The Company paid no dividends to its parent company during the year ended 31 December 2025 (2024: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025 (continued)**10. Related party transactions (continued)****(c) Transactions between the Company and key management personnel**

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

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

The Directors are also Directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

11. Contingent liability

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2020, HMRC concluded its enquiry into the matter and issued a closure notice denying the group relief claim. The Group appealed to the First Tier Tax Tribunal. The hearing took place in May 2023. In January 2025, the First Tier Tribunal concluded in favour of HMRC. The Group believes it has applied the rules correctly and that the claim for group relief is correct. Having reviewed the Tribunal's conclusions and having taken appropriate advice the Group has appealed to the Upper Tier Tax Tribunal, and does not consider this to be a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in the Company's current tax liabilities of approximately £92,514 (including interest). The appeal has been listed for hearing in March 2027, however final conclusion of the judicial process may not be for several years.

12. Changes to accounting policies and future accounting developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027, including IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. While many of the existing requirements of IAS 1 Presentation of Financial Statements are retained, IFRS 18 Presentation and Disclosure in Financial Statements introduces additional disclosure obligations in relation to the structure of the income statement, management-defined performance measures, and the aggregation and disaggregation of financial information. IFRS 18 will have no impact on the Company's net profit as it impacts neither recognition nor measurement. The new standard will impact the presentation of the Company's results as it requires that operating, investing and financing activities are presented separately. There will also be a change in the Group's cash flow statement as IFRS 18 requires that the first line of the cash flow statement is operating profit rather than profit before tax.

IFRS 19 Subsidiaries without Public Accountability: Disclosures is being assessed and is not expected to have a significant impact on the Company. IFRS 19 has yet to be endorsed for use in the UK.

The IASB has issued its annual improvements and a number of amendments to the IFRS Accounting Standards effective 1 January 2026, including Amendments to IFRS 9 Financial Instruments and Amendments to IFRS 7 Financial Instruments Disclosures. These improvements and amendments are not expected to have a significant impact on the Company.

13. Post balance sheet events

There are no post balance sheet events affecting the Company that require disclosure for the year ending 31 December 2025.