

# Scottish Widows Financial Services Holdings

Annual Report and Accounts  
**2025**

Member of Lloyds Banking Group

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## **COMPANY INFORMATION**

### **Board of Directors**

R A Messenger (Chair)

J L Bezuidenhout

### **Company Secretary**

K J Mckay

### **Independent Auditors**

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

### **Registered Office**

The Mound  
Edinburgh  
EH1 1YZ

### **Company Registration Number**

SC199548

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## STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Financial Services Holdings (the 'Company') for the year ended 31 December 2025. The Company is registered in Scotland and is a private unlimited company.

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

### Principal activities

The Company's principal activity is that of an intermediate holding company. Its subsidiaries are listed in Note 7 of the accounts, Investment in Subsidiaries.

### Result for the Year

The result for the year ended 31 December 2025 is a profit after tax of £28.5 million (2024: profit after tax: £51.9 million). The result for the year reflects dividend income from subsidiaries and investment income, partially offset by impairment charges on the valuation of subsidiaries. A dividend of £66.3 million was paid to the parent (2024: £71.0 million).

On 11th September 2025, the Company's indirect wholly-owned subsidiary, HBOS Investment Fund Managers Limited (HIFML), was transferred to SWG, the Company's immediate parent undertaking, which is part of the IP&I Division of LBG. Following the transfer, HIFML ceased to be part of the Company's group. The transfer formed part of a reorganisation undertaken to simplify the structure of the IP&I division. The transaction had no impact on the Company's profit or loss for the year.

The effect of the profit for the year and dividend paid is that total net assets of the Company as at 31 December 2025 have decreased by £173.4 million to £0.2 million (2024: total net assets £173.5 million).

### Economic Environment

The UK economy proved resilient to global challenges in 2025. Although elevated inflation and pay growth resulted in slower interest rate cuts than in the US and Eurozone, real-wages grew and households' spending growth rose. Low private sector indebtedness and high household savings provide resilience and capacity for improving growth.

### Climate Change

The Company is a subsidiary of Lloyds Banking Group plc (LBG). LBG 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 LBG website at [www.lloydsbankinggroup.com/investors/esg-information](http://www.lloydsbankinggroup.com/investors/esg-information).

### Key performance indicators

The Company's principal business during the year was the holding of investments in subsidiaries. Its principal income is the receipt of dividends and interim dividends from these subsidiaries and investment income. In 2025, £60.4 million of dividends were received from subsidiary undertakings, of which £35.4m was an in-specie dividend (2024: £71.8 million). No further investments have been made in subsidiaries.

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

### Outlook

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

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

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

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

*Financial risks*

<b>Principal Risk</b>	<b>Note reference</b>	<b>Description</b>
Market risk	13(a)	Market risk is defined as the risk that the Company's capital or earnings profile is affected by adverse market rates, in particular equity, credit default spreads, interest rates and inflation in Insurance business. External rates are outwith the Company's control therefore mitigation is via having sufficient financial reserves to cover reduced earnings. The Company was exposed during the period but, at the end of 2025, this risk is no longer relevant.
Credit risk	13(c)	Credit risk is the risk that parties with whom we contract, fail to meet their financial obligations. Credit risk is mitigated via the risk transfer policy and the investment policy which ensure exposures are appropriately monitored and action taken where necessary. The Company through its investment in subsidiaries was subject to credit risk during the year through a variety of counterparties through invested assets, cash in liquidity funds, bank accounts and reinsurance but, at the end of 2025, this risk is no longer relevant.
Capital risk	13(d)	Capital risk is defined as the risk that an insufficient quantity or quality of capital is held to meet regulatory requirements or to support business strategy, an inefficient level of capital is held or that capital is inefficiently deployed across the Company. The Company's objectives when managing capital are to ensure that sufficient capital is available to safeguard the Company's ability to continue as a going concern so that it can continue to provide a return to the shareholder. Capital risk is managed via the Capital Risk Policy, which includes tools and governance to monitor and allocate capital accordingly.

*Non-financial risks*

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

<b>Principal Risk</b>	<b>Description</b>
Operational risk	Operational risk is the risk of actual or potential impact to the Group (financial and/or non-financial) resulting from inadequate or failed internal processes, people and systems or from external events. This includes risks around Information, Cyber and Physical Security, IT Systems, Data and Privacy, Internal and External Supplier, People, Business Continuity, Payments and Transaction Execution, Financial Reporting (including Tax), Health & Safety and Premises, Change Execution risk. Operational risk is managed by operational risk policies and an operational risk framework.  The Company maintains a formal approach to operational risk event escalation, whereby material events are identified, captured and escalated. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe, reduce costs, and improve efficiency.
Climate risk	The Group defines Climate Risk as the risk from the impacts of climate change and the transition to net zero ('inbound risk'), or a result of the Group's response to tackling climate change and supporting the transition to net zero ('outbound risk').

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**STRATEGIC REPORT (continued)****Section 172(1) Statement**

Effective stakeholder engagement is fundamental to good governance. This section is our 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) of the Act when performing their duty to promote the success of the Company under section 172.

Further detail on stakeholder interaction is contained within the Directors' Report on pages 7 to 9. The directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of Scottish Widows maintaining a reputation for high standards of business conduct and the Board engaging with, and taking account of the views of, its key stakeholders, including customers, shareholders, colleagues, regulators and the government, suppliers, communities and the environment.

As a subsidiary of LBG, Scottish Widows Financial Services Holdings follows many of LBG's processes and practices, which are referred to in this statement where relevant.

*Customers*

The Company's customer-centric approach means the Board has an ongoing commitment to understanding and addressing customer needs, which remains central to achieving the Company's strategic ambitions.

*Shareholders*

The Company is a wholly owned subsidiary of LBG (Shareholder). The Shareholder seeks a financial return on its investment, delivered through dividends. Any dividend paid during the year is disclosed in the Directors' Report.

As a wholly owned subsidiary, the Board ensures that the Company's strategy, priorities, processes, and practices are aligned, where appropriate, with those of its Shareholder, recognising the Shareholder's interests at all times.

*Colleagues*

The Company does not directly employ colleagues; they are employed by other LBG entities.

*Communities and the Environment*

The Scottish Widows Board is the ultimate authorisation body for matters which concern the operation of Scottish Widows' business and is responsible for approving the Scottish Widows Transition Plan and IP&I's strategic response to ESG matters.

Further details are available in the Strategic Report of the 2025 Annual Report and Accounts on the Scottish Widows' website.

*Regulators and the government*

As part of the wider Scottish Widows Group, the company engages on an ongoing basis with regulators and government authorities to ensure it continues to operate in line with current and emerging regulatory and legislative requirement

- Regulatory agenda – The directors maintained regular dialogue with regulators on a range of topics within the regulatory agenda as part of the Company's normal course of business activity.

*Modern slavery*

The Responsible Business Committee of the Board of LBG, as part of its oversight of its performance (including that of the Company) as a responsible business, governs the approach to human rights.

LBG's Human Rights Position Statement can be found on the LBG website.

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

*Diversity*

In line with LBG strategy and activity to maximise the potential of people, its goal is to ensure inclusion is at the heart of everything it does.

Further details of LBG's diversity targets are set out in its Annual Report and Accounts available on its website.

On behalf of the Board of Directors



R A Messenger

Director

19 March 2026

## DIRECTORS' REPORT

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

### Results for the year

The result of the Company for the year ended 31 December 2025 is a profit after tax of £28.5 million (2024: profit after tax of £51.9 million) and this has been transferred to reserves. The result for the year reflects dividend income from subsidiaries and investment income partially offset by impairment charges on the valuation of subsidiaries. The Directors consider the result for the current year to be satisfactory in light of the activities of the Company and its subsidiaries and the prevailing economic climate. The total net assets of the Company at 2025 are £0.2 million (2024: total net assets £173.5 million).

On 11th September 2025, the Company's indirect wholly-owned subsidiary, HBOS Investment Fund Managers Limited (HIFML), was transferred to SWG, the Company's immediate parent undertaking, which is part of the IP&I Division of LBG. Following the transfer, HIFML ceased to be part of the Company's group. The transfer formed part of a reorganisation undertaken to simplify the structure of the IP&I division. The transaction had no impact on the Company's profit or loss for the year.

During the year, dividends of £66.3 million were paid (2024: £71.0 million). No final dividend is proposed in respect of the year ended 31 December 2025 (2024: £nil).

### Post balance sheet events

Further information on post balance sheet events is set out in note 17.

### Directors

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

M H Cuhls	(Resigned 17 September 2025)
W L D Chalmers	(Resigned 17 September 2025)
S T Nyahasha	(Resigned 17 September 2025)
K A Cooper	(Resigned 17 September 2025)
P G McNamara	(Resigned 17 September 2025)
D L Davis	(Resigned 18 March 2025)
J K Harris	(Resigned 4 June 2025)
J L Bezuidenhout	(Appointed 17 September 2025)
R A Messenger	(Appointed 17 September 2025)
J S Wheway	(Resigned 17 September 2025)
C J G Moulder	(Resigned 17 September 2025)
G E Schumacher	(Resigned 17 September 2025)
M H Trussell	(Appointed 7 July 2025/Resigned 17 September 2025)
C Barua	(Resigned 17 September 2025)

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

### Directors' indemnities

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

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

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## DIRECTORS' REPORT (continued)

### 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.

### Future developments

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

### Going concern

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

### Financial risk management

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

### Independent auditors

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

### Statement of Directors' responsibilities

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

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

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

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

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

**DIRECTORS' REPORT (continued)**

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

- The Company financial statements which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company
- the Strategic Report on pages 4 to 6, and the Directors' Report on pages 7 to 9 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

19 March 2026

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

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

- give a true and fair view of the state of the company's affairs as at 31 December 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 cash flows;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

**Basis for opinion**

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

We are independent of the group and the parent 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 group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

**Other information**

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

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

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

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**Independent auditor's report to the members of Scottish Widows Financial Services Holdings Limited (continued)****Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 its 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 the UK Companies Act and tax legislation; and
- did not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

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

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

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

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

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

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

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

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

**Independent auditor's report to the members of Scottish Widows Financial Services Holdings (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.



Michael Staves, ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Reading, United Kingdom

19 March 2026

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**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025**

	Note	2025 £'000	2024 £'000
<b>Revenue</b>			
Investment income	3	225	455
Income from shares in subsidiary undertakings	14	60,386	71,770
Other income		62	—
<b>Total revenue</b>		<b>60,673</b>	<b>72,225</b>
<b>Expenses</b>			
Impairment of Investment in subsidiary undertakings	7	(32,135)	(20,257)
Finance costs	4	(2)	—
<b>Total expenses</b>		<b>(32,137)</b>	<b>(20,257)</b>
<b>Profit before tax</b>		<b>28,536</b>	<b>51,968</b>
Taxation charge	6	(71)	(114)
<b>Profit for the year</b>		<b>28,465</b>	<b>51,854</b>

During the year, the company received dividends of £60.4m from its subsidiaries. Of this amount, £25m was settled in cash and £35.4m was settled by in-specie dividend.

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

The notes set out on pages 17 to 25 are an integral part of these financial statements.

**BALANCE SHEET AS AT 31 DECEMBER 2025**

	Note	2025 £'000	2024 £'000
<b>ASSETS</b>			
Investment in subsidiaries	7	188	167,892
Other assets		—	21
Cash and cash equivalents	8	—	5,746
<b>Total assets</b>		<b>188</b>	<b>173,659</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity shareholder</b>			
Share capital	9	—	—
Retained profits	10	188	173,545
<b>Total equity</b>		<b>188</b>	<b>173,545</b>
<b>Liabilities</b>			
Current tax liabilities	6	—	114
<b>Total liabilities</b>		<b>—</b>	<b>114</b>
<b>Total equity and liabilities</b>		<b>188</b>	<b>173,659</b>

The notes set out on pages 17 to 25 are an integral part of these financial statements.

The financial statements on pages 13 to 25 were approved by the Board on 19 March 2026 and signed on behalf of the Board.



R A Messenger

Director

19 March 2026

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 £'000	2024 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		28,536	51,968
Adjusted for:			
Investment income	3	(225)	(455)
Finance costs	4	2	
Income from shares in subsidiary undertakings	14	(60,386)	(71,770)
Impairment in investment in subsidiary	7	32,135	20,257
Net decrease in operating assets	11	21	69
Corporate income taxes paid		(185)	(70)
<b>Net cash flows used in operating activities</b>		<b>(102)</b>	<b>(1)</b>
<b>Cash flows from investing activities</b>			
Investment income received	3	225	455
Dividends received		25,000	71,770
<b>Net cash flows generated from investing activities</b>		<b>25,225</b>	<b>72,225</b>
<b>Cash flows from financing activities</b>			
Dividends paid	12	(25,000)	(71,000)
Distribution of assets to shareholders		(5,867)	
Finance costs paid	4	(2)	
<b>Net cash flows used in financing activities</b>		<b>(30,869)</b>	<b>(71,000)</b>
<b>Net (decrease)/ increase in cash and cash</b>		<b>(5,746)</b>	<b>1,224</b>
Cash and cash equivalents at the beginning of the year		5,746	4,522
<b>Net cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>—</b>	<b>5,746</b>

During the year, the company received dividends of £60.4m from its subsidiaries (note 14). Of this amount, £25m was settled in cash and £35.4m was settled by the transfer of a non-cash asset.

During the year, the Company declared and settled dividends of £66.3m to its immediate parent company. Of this amount, £25.0m was settled in cash and £41.3m was settled through the transfer of a non-cash asset (note 12).

The notes set out on pages 17 to 25 are an integral part of these financial statements.

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

	Note	Share capital £'000	Share premium £'000	Retained profits £'000	Total equity £'000
<b>Balance as at 1 January 2024</b>		1,000	375	191,316	192,691
Capital reduction		(1,000)	(375)	1,375	—
Total comprehensive income for the year		—	—	51,854	51,854
Dividend	10, 12	—	—	(71,000)	(71,000)
<b>Balance as at 31 December 2024</b>		—	—	173,545	173,545
Total comprehensive income for the year		—	—	28,465	28,465
Distribution of non-cash assets to owners	7	—	—	(135,569)	(135,569)
Dividend	10, 12	—	—	(66,253)	(66,253)
<b>Balance as at 31 December 2025</b>		—	—	188	188

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

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

The notes set out on pages 17 to 25 are an integral part these financial statements.

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

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

**(a) Basis of preparation**

The financial statements of the Company have been prepared:

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

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

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

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

**Standards and interpretations effective in 2025**

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2025 which have had a material impact on the Company.

**(b) Revenue recognition****Investment income**

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

**Dividend income**

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

**(c) Investments in subsidiaries**

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

**(d) Cash and cash equivalents**

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025****1. Accounting policies (continued)****(e) Impairment****Financial assets**

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

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

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

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

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

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

**Non-financial assets**

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

An impairment loss is recognised for the amount by which the 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.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

## 1. Accounting policies (continued)

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

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

## (g) Share capital

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

**Dividends payable**

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

## 2. Critical accounting judgements or key sources of estimation uncertainty

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

There are no significant accounting estimates or judgements that have been used in the preparation of these financial statements.

## 3. Investment income

	2025	2024
	£'000	£'000
Interest receivable on investments in a liquidity fund	225	455
<b>Total</b>	<b>225</b>	<b>455</b>

## 4. Finance costs

	2025	2024
	£'000	£'000
Bank charges	2	—
<b>Total</b>	<b>2</b>	<b>—</b>

## 5. Auditor's remuneration

	2025	2024
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	21	21
<b>Total fees payable</b>	<b>21</b>	<b>21</b>

Audit fees for 2025 and 2024 were paid by another Company within Lloyds Banking Group and were not recharged to the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

## 6. Taxation charge

## (a) Analysis of charge for the year

	2025	2024
	£'000	£'000
<b>UK corporation tax</b>		
Current tax on taxable profit for the year	71	114
<b>Total current tax charge</b>	71	114

## (b) Reconciliation of tax charge

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

	2025	2024
	£'000	£'000
<b>Profit before tax</b>	28,536	51,968
<b>Tax charge at 25% (2024: 25%)</b>	7,134	12,992
Factors affecting charge:		
Impairment of subsidiary	8,034	5,064
Non-taxable items	(15,097)	(17,942)
<b>Total tax charge</b>	71	114
Effective rate	0.25 %	0.22 %

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

## (c) Tax liabilities

	2025	2024
	£'000	£'000
Current tax liabilities	—	114
<b>Total tax liabilities</b>	—	114

## 7. Investment in subsidiaries

	2025	2024
	£'000	£'000
<b>At 1 January</b>	167,892	188,149
Impairment of investment in subsidiaries	(32,135)	(20,257)
Distribution of non-cash assets to owners	(135,569)	—
<b>At 31 December</b>	188	167,892

An impairment charge of £32,134,732 has been recognised during 2025, in respect of HBOS Financial Services Ltd. In 2024: £20,257,000 was recognised in respect of HBOS International Financial Services Holdings Limited.

On 11th September 2025, the Company's indirect wholly-owned subsidiary, HBOS Investment Fund Managers Limited (HIFML), was transferred to SWG, the Company's immediate parent undertaking, for £135.6m. Following the transfer, HIFML ceased to be part of the Company's group. The transfer formed part of a reorganisation undertaken to simplify the structure of the IP&I division. The transaction had no impact on the Company's profit or loss for the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025****7. Investment in subsidiaries (continued)**

A review of the carrying value of the subsidiary investments to assess indications of impairment is performed on an annual basis. In both 2024 and 2025 the carrying value was compared to the net asset value and no value-in-use calculations performed.

Subsidiaries and Associates

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

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

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

Subsidiaries and Associates**Registered office addresses**

- (1) The Mound, Edinburgh, EH1 1YZ
- (2) 33 Old Broad Street, London, EC2N 1HZ
- (3) Trinity Road, Halifax, West Yorkshire, HX1 2RG
- (4) Bank of Scotland, The Mound, Edinburgh, EH1 1YZ

**8. Cash and cash equivalents**

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

	2025	2024
	£'000	£'000
Investment in a liquidity fund	—	5,746
<b>Total</b>	—	5,746

The Company's corporate bank account was closed during the year (2024: £nil).

**9. Share capital**

	2025	2024
	£'000	£'000
<b>Issued and fully paid share capital:</b>		
1 (2024: 1) Ordinary shares of £0.01	—	—
<b>Total</b>	—	—

In 2025 there has been no change to share capital.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

## 10. Retained profits

	Other reserves £'000	Accumulated losses and retained earnings £'000	Total retained profits £'000
<b>Balance as at 1 January 2024</b>	982,213	(790,897)	191,316
Total comprehensive income for the year	—	51,854	51,854
Capital reduction		1,375	1,375
Dividend	(71,000)	—	(71,000)
<b>Balance as at 31 December 2024</b>	911,213	(737,668)	173,545
Total comprehensive income for the year	—	28,466	28,466
Distribution of non-cash assets to owners	—	(135,569)	(135,569)
Dividend	(66,253)	—	(66,253)
<b>Balance as at 31 December 2025</b>	844,960	(844,771)	189

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

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

In 2025 a dividend of £66,252,909 was paid from other reserves. As at 31 December 2025, the other reserves balance was £844,960,091 (2024: £911,213,000).

## 11. Net decrease in operating assets

	2025 £'000	2024 £'000
<b>Net decrease in operating assets</b>		
Financial assets:		
Loans and receivables at amortised cost	(21)	(69)
<b>Net decrease in operating assets</b>	(21)	(69)

## 12. Dividends paid

	2025 £'000	2024 £'000
Total dividends paid on equity shares	66,253	71,000

The Company declared dividends of £66.3 million during the year ended 31 December 2025 (2024: £71.0 million) to the immediate parent company, Scottish Widows Group Limited. This comprised £25.0m cash payment and an in-specie distribution of a non-cash asset with a carrying value of £41.3m. The dividend payable in the year amounted to £66.3 million per share (2024: £71.0 million per share).

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025****13. Risk management**

The Company acts as an intermediate holding company.

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

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

**(a) Market risk**

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

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

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

The company was exposed during the period but, at the end of 2025, this risk is no longer relevant.

**(b) Interest rate risk**

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

The company was exposed during the period but, at the end of 2025, this risk is no longer relevant.

**(c) Credit risk**

Credit risk is the risk that parties with whom we contract fail to meet their financial obligations. The Company holds no investments in liquidity funds in 2025 (2024: £5.7 million) and therefore this risk is no longer relevant.

**(d) Capital risk**

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

The Company's objectives when managing capital are to ensure that sufficient capital is available to safeguard the Company's ability to continue as a going concern so that it can continue to provide a return to the shareholder.

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

The Company's capital comprises all components of equity £0.2 million (2024: £173.5 million), movements in which are set out in the statement of changes in equity.

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

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

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these Financial Statements. Once approved, copies of the consolidated annual Report and Financial Statements of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 33 Old Broad Street, London EC2N 1HZ or downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025****14. Related party transactions (continued)****(b) Transactions and balances with related parties****Transactions with other Lloyds Banking Group companies**

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

Relationship	2025				
	Income during year	Expenses during year	Payable at year end	Receivable at year end	Dividend paid
	£'000	£'000	£'000	£'000	£'000
Parent	—	—	—	—	66,253
Subsidiary	60,386	—	—	—	—
Other related parties	—	—	—	—	—

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

In addition to the balances disclosed in the table, balances of £nil (2024: £5,746,145) and income of £223,364 (2024: £454,815) in funds controlled by Lloyds Banking Group meet the definition of related parties. The above balances are unsecured in nature and are expected to be settled in cash.

Also during the year, the Company's indirect wholly-owned subsidiary, HBOS Investment Fund Managers Limited (HIFML), was transferred to SWG, the Company's immediate parent undertaking, for £135.6m.

**Transactions between the Company and entity employing key management**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and IP&I Executive Committee members. The emoluments of key management are not recharged to this Company as it is considered that their services to this Company are incidental to their other activities within Lloyds Banking Group.

**15. 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 intends to appeal the decision and does not consider this to be a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in the Company's current tax liabilities of approximately £204k (including interest). The appeal has been listed for hearing in March 2027, but final conclusion of the judicial process may not be for several years.

**16. Future accounting developments**

The following pronouncements are not applicable for the year ending 31 December 2025 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.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025****16. Future accounting developments (continued)**

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 Amendments to FRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure. These improvement and amendments are not expected to have a significant impact on the Group or Company.

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

**17. Post balance sheet events**

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