SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2021

Member of Lloyds Banking Group plc

CONTENTS

COMPANY INFORMATION

Board of Directors

S C Guild
S W Lowther
K L Young

Company Secretary

K J McKay

Independent Auditors

Deloitte LLP
Statutory Auditor
1 Union Wynd
Aberdeen
AB10 1SL

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Registration Number

05718984

DIRECTORS' REPORT

The Directors present the audited financial statements of Scottish Widows Auto Enrolment Services Limited (the Company), a limited liability company domiciled and incorporated in the United Kingdom. The Company changed its name from Zurich Group Pension (UK) Services Limited to Scottish Widows Auto Enrolment Services Limited on 13 April 2018.

The Company is a wholly owned subsidiary of Scottish Widows Limited and forms part of Lloyds Banking Group's (LBG) Insurance Division. The development, performance and position of the Insurance Division are presented within Lloyds Banking Group's annual report, which does not form part of this report. The Company's ultimate parent company and ultimate controlling party is Lloyds Banking Group plc.

The Company's principal activity is the provision of services to support fellow UK group companies in respect of the administration of auto-enrolment pension schemes. The services include the provision of access to a portal for auto enrolment pension schemes for uploading and validating data and communications to scheme members.

Results and dividend

The result of the Company for the year ended 31 December 2021 is a profit before tax of £117,754 (2020: £124,963). After taking taxation into account an amount of £95,381 was transferred to reserves (2020: £101,214).

The net assets of the company have increased to £937,070 (2020: £841,689).

No dividends were paid or proposed during the year. The Directors recommend no payment of a final dividend (2020: £nil).

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This is having significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber attacks and an increase in costs associated with such cyber attacks. There is no impact expected for the Company, but the Company's Directors will continue to monitor the situation.

Impact of the UK's exit from the EU

The Company's Directors anticipate no impact from the uncertainties in respect of the implications of the UK's exit from the European Union (EU).

COVID-19

The Company's resilience to such events is regularly reviewed through stress and scenario testing. Plans to continue to operate Important Business Services are in place and continue to be reviewed in light of the Covid-19 outbreak. The Covid response framework will be triggered if there are any strains in the operational environment. The Directors believe that there will be limited impact on the Company.

Climate Change

As a sub-entity of Scottish Widows Group (SWG), the Company is aligned with SWG's approach to supporting the successful transition to a more sustainable, low carbon economy. Further details of this can be found in the Scottish Widows 'Task Force on Climate-relate Financial Disclosures (TCFD)' Report via www.scottishwidows.co.uk.

DIRECTORS' REPORT (CONTINUED)

Directors

The names of the current Directors are listed on page 3.

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S W Lowther
S C Guild
K L Young

Particulars of the Directors' emoluments are set out in note 13.

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity through deed poll which constituted '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 the Directors who join 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 contract of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law.

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.

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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 12). 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 12 to the financial statements and are therefore incorporated into this report by reference.

Strategic Report

The Company has taken advantage of the small companies exemption to prepare a Strategic Report under the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report 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 elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. 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, International Accounting Standard 1 requires that directors:

- 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 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.

Directors' confirmations

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 auditors are aware of that information.

On behalf of the Board of Directors

Sean Lowther

S W Lowther
Director
15th September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Widows Auto Enrolment Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 cash flow statement; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED (CONTINUED)

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 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.

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 about their own identification and assessment of the risks of irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED (CONTINUED)

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 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED (CONTINUED)

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.

L Cowie

Lyn Cowie CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
16th September 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Revenue		199,456	210,276
Cost of Sales		(80,000)	(80,000)
Gross Profit		119,456	130,276
Other expenses	3	(1,702)	(6,312)
Operating Profit		117,754	123,964
Interest income	4	-	999
Profit before tax		117,754	124,963
Taxation	5	(22,373)	(23,749)
Profit for the year		95,381	101,214

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

The notes set out on pages 15 to 21 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
ASSETS			
Current assets			
Financial assets:			
Cash and cash equivalents	7	848,787	966,958
Trade and other receivables	6	182,861	-
Total assets		1,031,648	966,958
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	10	1	1
Retained earnings		937,069	841,688
Total equity		937,070	841,689
LIABILITIES			
Current liabilities			
Trade and other payables	8	6,667	6,667
Current tax liabilities	5	22,373	46,482
Deferred revenue	9	65,538	72,120
Total current liabilities		94,578	125,269
Total equity and liabilities		1,031,648	966,958

The notes set out on pages 15 to 21 are an integral part of these financial statements.

The financial statements on pages 11 to 12 were approved by the Board of Directors on 15th September 2022, and signed on its behalf by

S W Lowther
Director
15th September 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit before tax		117,754	124,963
Adjusted for:			
Net movement in operating assets and liabilities	11	(189,443)	59,175
Tax paid		(46,482)	(25,427)
Net cash (used) in/ generated from operating activities		(118,171)	158,711
Net (decrease) / increase in cash and cash equivalents		(118,171)	158,711
Cash and cash equivalents at the beginning of the year		966,958	808,247
Net cash and cash equivalents at the end of the year	7	848,787	966,958

The notes set out on pages 15 to 21 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earnings	Total equity
	£	£	£
Balance as at 1 January 2020	1	740,474	740,475
Profit for the year and total comprehensive income	-	101,214	101,214
Balance as at 31 December 2020	1	841,688	841,689
Profit for the year and total comprehensive income	-	95,381	95,381
Balance as at 31 December 2021	1	937,069	937,070

The notes set out on pages 15 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

These financial statements have been prepared:

(1) in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB'). IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ('IASB') and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ('IFRIC') and its predecessor body.

(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 have an intention to liquidate of the Company. Consequently the financial statements are not prepared on a going concern basis but instead on a basis other than going concern. No adjustments were necessary to the valuation of net assets in order to disclose all current and prior year balances at fair value following the decision to liquidate. Sufficient funds are available to support the business activities until liquidation occurs, including liquidation costs.

No new IFRS amendments have been adopted in the current or prior year.

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.

b) Financial assets and financial liabilities

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

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

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 measured at amortised cost. 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, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

c) Cash and cash equivalents

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

Cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

d) Revenue recognition

Revenue represents fees charged, on an accruals basis, in respect of the provision of services to support the administration of auto-enrolment pension schemes.

Revenue in respect of these fees that relate to the next period is deferred and held as deferred revenue in the balance sheet.

The Company receives ongoing fee income in respect of services provided, mainly to fellow subsidiaries of Lloyds Banking Group, to support the provision of auto enrolment pension schemes which are recognised as revenue as the services are provided.

e) Interest income

Interest income includes interest on cash balances and is accounted for on an accruals basis.

f) Expense recognition

Cost of sales

Cost of sales represents costs incurred, on an accruals basis, in relation to the provision of services to support the administration of auto-enrolment pension schemes.

Costs of sales are recognised in the statement of comprehensive income in the period in which they are incurred.

Operating expenses

Operating expenses are recognised in the statement of comprehensive income in the period in which they are incurred.

g) Impairment

Financial assets

Expected credit losses are calculated by using 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, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. Accounting policies (continued)

h) Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement 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 income statement (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 Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

i) 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.

j) Dividends payable

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

2. Critical accounting estimates and judgement 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 significant accounting estimates or judgements that have been used in the preparation of these financial statements.

3. Other expenses

	2021 £	2020 £
Other expenses	1,702	6,312
Total	**1,702**	**6,312**

Audit fees were borne by another company within the group and were not recharged to the Company. The fees payable in respect of the audit of the statutory financial statements of the Company are £7,875 (2020: £7,500). There were no fees relating to non-audit services paid to the Auditors during the year (2020: £nil).

No staff are employed directly by the Company (2020: nil). All staff providing services to the Company are employed by other subsidiaries of Lloyds Banking Group.

4. Interest income

	2021 £	2020 £
Interest on cash at bank	-	999
Total	**-**	**999**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Taxation

a) Current year tax charge

	2021 £	2020 £
Current tax:		
UK corporation tax	22,373	23,749
Total current tax	**22,373**	**23,749**

Corporation tax is charged at a rate of 19.00% (2020: 19.00%) of the taxable profit for the year.

b) Reconciliation of tax charge

	2021 £	2020 £
Profit before tax	117,754	124,963
Tax at 19% (2020: 19%)	22,373	23,743
- Disallowed items	-	6
Total	**22,373**	**23,749**
Effective rate	**19.0%**	**19.0%**

6. Trade and other receivables

	2021 £	2020 £
Amounts due from fellow subsidiaries (see note 13)	182,861	-
Total	**182,861**	-

Amounts due from group undertakings are unsecured and repayable on demand or on maturity.

7. Cash and cash equivalents

	2021 £	2020 £
Cash and cash equivalents	848,787	966,958
Total	**848,787**	**966,958**

8. Trade and other payables

	2021 £	2020 £
Amounts owed to group undertakings (see note 13)	6,667	6,667
Total	**6,667**	**6,667**

Amounts owed to group undertakings are interest free and are expected to be settled less than one year after the reporting date.

9. Deferred revenue

	2021 £	2020 £
Deferred revenue	65,538	72,120
Total	**65,538**	**72,120**

The company receives payment for services annually in advance, this is then deferred and released during the year as the service is deemed rendered. These are expected to be received less than one year after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Share Capital

	2021 £	2020 £
Allotted, called up and fully paid share capital		
1 share (2020: 1 share) of £1	1	1

11. Net movement in operating assets and liabilities

	2021 £	2020 £
Net (increase)/decrease in operating assets		
Trade and other receivables	(182,861)	205,653
Net (increase) / decrease in operating assets	(182,861)	205,653
Net increase/(decrease) in operating liabilities		
Trade and other payables	-	(131,261)
Deferred income	(6,582)	(15,217)
Net (decrease) in operating liabilities	(6,582)	(146,479)
Net movement in operating assets and liabilities	(189,443)	59,175

12. Risk management

The principal activity is the provision of services to support fellow UK group companies in respect of the administration of auto enrolment pension schemes.

The Company is managed as part of the Insurance Division; as such risk is managed across all of the entities within the Insurance Division and not at the individual company level.

a) Financial risks

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(b). The summary of significant 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.

i) 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. The sensitivity analysis below illustrates how the fair value of future cash flows will fluctuate because of changes in market interest rates at the reporting date.

	Impact on profit after tax and equity for the year	
	2021 £	2020 £
25 basis points (2020: 25 basis points) increase in yield curves	2,122	2,417
25 basis points (2020: 25 basis points) decrease in yield curves	(2,122)	(2,417)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Risk management (continued)

a) Financial risks (continued)

ii) Credit risk

Credit Risk is defined as the risk that parties with whom the Company has contracted, fail to meet their financial obligations, (both on or off balance sheet).

	2021 Total £	AAA £	A £	2020 Total £	AAA £	A £
Trade and other receivables	182,861	-	182,861		-	-
Cash and cash equivalents	848,787	848,787	-	966,958	966,958	-
Exposure to credit risk	1,031,648	848,787	182,861	966,958	966,958	-

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.

Credit risk is not considered to be significant to the Company.

(iii) Liquidity risk

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

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider Lloyds Banking Group Funding and Liquidity Policy. The all balances are payable on demand.

(iv) Capital risk

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

The Company's objectives when managing capital is to have sufficient capital to safeguard the Company's ability to continue and support business activities until liquidation occurs.

13. Related party transactions

a) Ultimate parent and shareholding

The parent undertaking which is the parent undertaking of the smallest group to consolidate these financial statements is Scottish Widows Limited. Copies of the consolidated annual report and accounts of Scottish Widows Limited may be obtained from Insurance Secretariat, 69 Morrison Street, Edinburgh EH3 8YF.

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. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

b) Transactions and balances with related parties

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

13. Related party transactions (continued)

b) Transactions and balances with related parties (continued)

	2021			
	Income during period	**Expenses during the year**	**Payable at period end**	**Receivable at period end**
	£	**£**	**£**	**£**
Relationship				
Parent (Scottish Widows Administration Services)	182,861	-	-	-
Other related parties	-	80,000	6,667	-

	2020			
	Income during period	**Expenses during the year**	**Payable at period end**	**Receivable at period end**
	£	**£**	**£**	**£**
Relationship				
Parent (Scottish Widows Administration Services)	205,241	-	-	-
Other related parties	-	80,000	6,667	-

During the year amounts received by the former parent (Zurich Assurance Limited) in 2021 was £nil (2020: £5,005).

c) Transactions between the Company and key management

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

The Directors consider that they receive no remuneration for their services to the Company.

14. Future accounting developments

The following pronouncement was relevant to the Company but was not effective at 31 December 2021 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	Annual periods beginning on or after 1 January 2022.

The full impact of this pronouncement is being assessed by the Company. However, the initial view is that it is not expected to cause any material adjustments to the reported numbers in the financial statements.

15. Post balance sheet events

There is no post balance sheet event, which requires adjustment or disclosure in the financial statements.