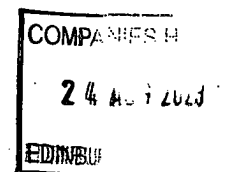


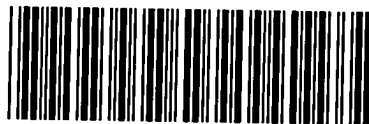
# SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022



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COMPANIES HOUSE

Member of Lloyds Banking Group plc

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**COMPANY INFORMATION**

**Board of Directors**

V L Flenk  
S C Quinn

**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 Services (UK) 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 the Insurance, Pensions and Investments ('IP&I') division of Lloyds Banking Group ('LBG'). The development, performance and position of the IP&I division are presented within Lloyds Banking Group plc'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 2022 is a profit before tax of £103,130 (2021: £117,754). After taking taxation into account an amount of £83,535 was transferred to reserves (2021: £95,381).

The net assets of the Company have increased to £1,020,605 (2021: £937,070).

No dividends were paid or proposed during the year. The Directors do not recommend payment of a final dividend (2021: £nil).

**Climate Change**

As a member of the Scottish Widows group ('Scottish Widows'), the Company is aligned with Scottish Widows' commitment to supporting the aims of the 2015 Paris Agreement, the UK Government's Net Zero target and Ten Point Plan for a Green Industrial Revolution, 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.

Scottish Widows has launched its Climate Action Plan that sets out a long-term strategy with actions to drive the investment portfolio towards net zero by 2050, as well as targeting by 2025, the investment of between £20 billion and £25 billion in climate-aware investment strategies. A total of £12 billion was invested in such strategies in 2022. The Climate Action Plan is formulated in a manner that prioritises customer goals within decision-making.

The Company is supportive of the Task Force on Climate-Related Financial Disclosures ('TCFD') framework and related regulatory expectations, is aligned to best practice outlined by the Climate Financial Risk Forum ('CFRF') and has published a TCFD aligned report at a parent entity level, Scottish Widows Group Limited ('SWG').

The full SWG TCFD report is available on the Scottish Widows website at [www.scottishwidows.co.uk/climatereport](http://www.scottishwidows.co.uk/climatereport).

**Post balance sheet events**

There are no events after the reporting date up until the date of issuance.

**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.

K L Young	(Resigned 21 October 2022)
V L Flenk	(Appointed 13 December 2022)
S C Quinn	(Appointed 13 December 2022)
S C Guild	(Resigned 13 December 2022)
S W Lowther	(Resigned 31 December 2022)

Particulars of the Directors' emoluments are set out in note 12.

**Company Secretary**

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

**DIRECTORS' REPORT (continued)****Directors' indemnities**

Lloyds Banking Group plc has granted deeds of indemnity by deed poll and by way of entering into individual deeds, which for the purposes of the Companies Act 2006 constitute 'qualifying third party indemnity provisions', to the directors of its subsidiary companies, including those of the Company. Such deeds were 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 deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, Lloyds Banking Group has in place appropriate Directors' and Officers' Liability Insurance cover which was in place throughout the financial year.

**Disclosure of information to auditor**

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 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. This confirmation is given, and should be interpreted in accordance with, the provisions of s418 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 has adequate resources to continue to operate for the foreseeable future, the Directors have considered a number of key dependencies which are set out in the risk management section (note 11). Having consulted on these, the Directors conclude that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

**Strategic Report**

The Company has taken advantage of the exemption for small companies under the Companies Act 2006, and has not prepared a Strategic Report.

**Financial risk management**

Disclosures relating to financial risk management are included in note 11 to the financial statements and are therefore incorporated into this report by reference.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Company financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether for the Company, 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;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**DIRECTORS' REPORT (continued)**

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

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

**Independent auditor**

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.

The Directors have reviewed and approved the Financial Statements.

On behalf of the Board of Directors

V L Flenk  
Director  
18 August 2023



**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 2022 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 14.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED (CONTINUED)****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 directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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

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

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

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH WIDOWS AUTO ENROLMENT SERVICES LIMITED (CONTINUED)****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 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 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

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.

*L Cowie*

Lyn Cowie CA (Senior Statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Aberdeen, United Kingdom  
18 August 2023

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Revenue		184,907	199,456
Cost of sales		(80,000)	(80,000)
<b>Gross profit</b>		<b>104,907</b>	<b>119,456</b>
Other expenses	3	(1,777)	(1,702)
<b>Operating profit</b>		<b>103,130</b>	<b>117,754</b>
<b>Profit before tax</b>		<b>103,130</b>	<b>117,754</b>
Taxation	4	(19,595)	(22,373)
<b>Profit for the year</b>		<b>83,535</b>	<b>95,381</b>

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 2022

	Note	2022 £	2021 £
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets:			
Cash and cash equivalents	6	755,104	848,787
Trade and other receivables	5	368,771	182,861
<b>Total assets</b>		<b>1,123,875</b>	<b>1,031,648</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	9	1	1
Retained earnings		1,020,604	937,069
<b>Total equity</b>		<b>1,020,605</b>	<b>937,070</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	6,667	6,667
Current tax liabilities	4	19,595	22,373
Deferred revenue	8	77,008	65,538
<b>Total current liabilities</b>		<b>103,270</b>	<b>94,578</b>
<b>Total equity and liabilities</b>		<b>1,123,875</b>	<b>1,031,648</b>

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

The financial statements on pages 11 to 21 were approved by the Board of Directors on 18 August 2023, and signed on its behalf by



V L Flenk  
Director  
18 August 2023

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Profit before tax		103,130	117,754
Adjusted for:			
Net movement in operating assets and liabilities	10	(174,440)	(189,443)
Tax paid		(22,373)	(46,482)
<b>Net cash (used) in operating activities</b>		<b>(93,683)</b>	<b>(118,171)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(93,683)</b>	<b>(118,171)</b>
Cash and cash equivalents at the beginning of the year		848,787	966,958
<b>Net cash and cash equivalents at the end of the year</b>	6	<b>755,104</b>	<b>848,787</b>

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 2022

	Share capital £	Retained earnings £	Total equity £
Balance as at 1 January 2021	1	841,688	841,689
Profit for the year and total comprehensive income	-	95,381	95,381
<b>Balance as at 31 December 2021</b>	<b>1</b>	<b>937,069</b>	<b>937,070</b>
Profit for the year and total comprehensive income	-	83,535	83,535
<b>Balance as at 31 December 2022</b>	<b>1</b>	<b>1,020,604</b>	<b>1,020,605</b>

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 2022

**1. Accounting policies**

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

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

**(a) Basis of preparation**

These financial statements have been prepared:

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

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

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

**Standards and interpretations effective in 2022**

The Company has adopted the following amendments to IFRS as at 1 January 2022. Adoption has had no significant impact on the financial position of the Company.

Minor amendments to IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) as well as the following amendments as a result of the Annual improvements to IFRS Accounting Standards 2018-2020 cycle:

- IFRS 9 (Financial Instruments)
- IFRS 16 (Leases)

As at the date of authorisation of these financial statements, the Company has not early adopted any issued amendments or standards.

**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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

**1. Accounting policies (continued)****b) Financial assets and financial liabilities (continued)**

Financial assets and financial liabilities are offset and the net amount reported on 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.

**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 on 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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. Accounting policies (continued)

## g) Impairment (continued)

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.

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

## 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

	2022 £	2021 £
Other expenses	1,777	1,702
<b>Total</b>	<b>1,777</b>	<b>1,702</b>

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 £8,269 (2021: £7,875). There were no fees relating to non-audit services paid to the Auditors during the year (2021: £nil).

No staff are employed directly by the Company (2021: nil). All staff providing services to the Company are employed by other subsidiaries of Lloyds Banking Group plc.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 4. Taxation

## a) Current year tax charge

	2022 £	2021 £
<b>Current tax:</b>		
UK corporation tax	(19,595)	(22,373)
<b>Total current tax</b>	<b>(19,595)</b>	<b>(22,373)</b>

Corporation tax is charged at a rate of 19.00% (2021: 19.00%) of the taxable profit for the year.

## b) Reconciliation of tax charge

	2022 £	2021 £
Profit before tax	103,130	117,754
Tax (charge) thereon at UK corporation tax rate of 19% (2021: 19%)	(19,595)	(22,373)
<b>Total</b>	<b>(19,595)</b>	<b>(22,373)</b>

<b>Effective rate</b>	<b>19.0%</b>	<b>19.0%</b>
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## 5. Trade and other receivables

	2022 £	2021 £
Amounts due from fellow subsidiaries (see note 12)	368,771	182,861
<b>Total</b>	<b>368,771</b>	<b>182,861</b>

Amounts due from group undertakings are not interest bearing, unsecured and repayable on demand or on maturity.

## 6. Cash and cash equivalents

	2022 £	2021 £
Cash at bank	755,104	848,787
<b>Total</b>	<b>755,104</b>	<b>848,787</b>

## 7. Trade and other payables

	2022 £	2021 £
Amounts owed to group undertakings (see note 12)	6,667	6,667
<b>Total</b>	<b>6,667</b>	<b>6,667</b>

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

## 8. Deferred revenue

	2022 £	2021 £
Deferred revenue	77,008	65,538
<b>Total</b>	<b>77,008</b>	<b>65,538</b>

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 2022

## 9. Share Capital

	2022 £	2021 £
<b>Allotted, called up and fully paid share capital</b>		
1 share (2021: 1 share) of £1	1	1

## 10. Net movement in operating assets and liabilities

	2022 £	2021 £
<b>Net (increase) in operating assets</b>		
Trade and other receivables	(185,910)	(182,861)
<b>Net (increase) in operating assets</b>	<b>(185,910)</b>	<b>(182,861)</b>
<b>Net increase/(decrease) in operating liabilities</b>		
Deferred income	11,470	(6,582)
<b>Net Increase/ (decrease) in operating liabilities</b>	<b>11,470</b>	<b>(6,582)</b>
<b>Net movement in operating assets and liabilities</b>	<b>(174,440)</b>	<b>(189,443)</b>

## 11. Risk management

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 Company is managed as part of the IP&I division; as such risk is managed across all of the entities within the IP&I 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) Credit risk

The risk that parties with whom the Company has contracted, fail to meet their financial obligations, resulting in loss to the Company.

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

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

	2022 Total £	A £	2021 Total £	A £
Trade and other receivables	368,771	368,771	182,861	182,861
Cash and cash equivalents	755,104	755,104	848,787	848,787
Exposure to credit risk	1,123,875	1,123,875	1,031,648	1,031,648

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 11. Risk management

## a) Financial risks (continued)

## ii) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost.

Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

## (iii) Capital risk

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

## 12. 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 IP&I 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](http://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:

## 12. Related party transactions

## b) Transactions and balances with related parties

	Income during period	2022 Expenses during the year	Payable at period end	Receivable at period end
	£	£	£	£
<b>Relationship</b>				
Parent (Scottish Widows Administration Services Limited)	184,653	-	-	368,771
Other related parties	-	80,000	6,667	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

## 12. Related party transactions (continued)

## b) Transactions and balances with related parties (continued)

	Income during period	2021 Expenses during the year	Payable at period end	Receivable at period end
	£	£	£	£
<b>Relationship</b>				
Parent (Scottish Widows Administration Services Limited)	199,456	-	-	182,861
Other related parties	-	80,000	6,667	-

## 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.

## 13. Changes to accounting policies and future accounting developments

There were no changes to accounting policies since 31 December 2022, and there are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

## 14. Post balance sheet events

There are no events after the reporting date up until the date of issuance.