Cheltenham & Gloucester PLC
Annual Report and Accounts
2023

Member of Lloyds Banking Group

Registered in England & Wales No. 02299428

Strategic report
For the year ended 31 December 2023

The Directors present their Strategic report for Cheltenham & Gloucester plc ("the Company") for the year ended 31 December 2023.

Principal activities

The principal activity of the Company was to arrange and administer mortgages and savings accounts on behalf of Lloyds Bank plc, the immediate parent company. This activity ended in 2018, following which the Company's principal activities have been that of managing its remaining assets and liabilities. This includes the lease and sub lease of one remaining property, due to expire in 2027. The Company forms part of Lloyds Banking Group ("the Group").

Business overview

The results for the year are set out in the Statement of comprehensive income. The Company's profit before tax for the financial year was £6,374k (2022: £1,449k) due to an increase in interest income earned on cash balances following successive Bank of England base rate rises.

The Company maintained its net asset position of £168,795k (2022: £163,893k) which primarily comprises cash reserves. All residual PPI provision has been released in the year.

Key Performance Indicators ("KPIs")

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

Future Outlook

The Company no longer writes any new business, but will continue to manage its existing portfolio of assets to achieve the best return for the Company. The Company is in a net asset position and holds adequate reserves of cash and near cash equivalents to repay its liabilities as they fall due.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Full details of the Group's approach to risk is included in the LBG Annual Report, these include Capital, Change and execution, Climate, Conduct, Data, Operational, Operational resilience and Regulatory and legal risk. Further details of the Company's and Group's financial risk management policy are contained in note 16 to the financial statements.

Economic environment

The current financial year has been a year of change and economic uncertainty, with the cost of living crisis, rising bank base rates, rising geopolitical tensions and an ongoing climate emergency.

These factors have all contributed to increasing the cost of living which impacts the Group and customers of its subsidiaries.

In line with the Group's purpose of Helping Britain Prosper and its clear customer focus, the Group continues to provide support to those most affected by changes to the economic environment.

The Company will continue to monitor the situation and risks to the business.

Employees

The Company has 412 employees (2022: 470). All persons whose salaries were recognised within the Company, had their staff costs transferred to Lloyds Bank plc from the 1st September 2019.

Section 172(1) Statement

In accordance with the Companies Act 2006 ("the Act"), for the year ended 31 December 2023, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of engagement with employees and other stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Strategic report (continued)
For the year ended 31 December 2023

Statement of engagement with employees and other stakeholders (continued)

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of LBG, achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the year been central to the activities of the Directors, as discussed below.

Shareholders

The Company is a wholly owned subsidiary of LBG, forming part of LBG's Consumer Lending Business Unit. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic report within the LBG Annual Report and Financial Statements for 2023, which does not form part of this report, available on the LBG website.

Colleagues

LBG's Board agreed in 2019 its approach to workforce engagement, which has remained unchanged during the year. The definition of workforce agreed by LBG's Board is our permanent colleagues, contingent workers and third-party suppliers that work on the premises delivering services to our customers and supporting key business operations.

During the year, LBG's Board gained further understanding of colleague views through a number of surveys completed by colleagues. These included the annual colleague survey, ad hoc 'Pulse' surveys, and participation by colleagues in the survey of the Banking Standards Board.

Communities and the Environment

Due to its limited physical presence, the Company has a minimal direct impact on the community and the environment. Further information in respect of the Group's overall approach to engaging with and contributing to the communities in which it operates is included within LBG's Annual Report and Financial Statements for 2023, which does not form part of this report. Additional information on the Group's Helping Britain Prosper Plan is available on the LBG website.

In October 2022, the Group announced the ambition to achieve a 50 per cent reduction in the carbon emissions we generate through our supply chain by 2030 on the path to net zero by 2050 or sooner.

Emerging risks

The Directors consider the following to be risks that have the potential to increase in significance and affect the performance of the Company.

The key risks are financial, derived from both physical risks (climate and weather-related events) and transition risks resulting from the process of adjustment towards a low carbon economy. Climate change extends across multiple risk types e.g. credit, market, conduct and operational. For example physical and transition risks could result in the impairment of asset values, which may impact the creditworthiness of our clients, and the products and services our customers require.

The focus on these risks by key stakeholders including businesses, clients, shareholders, governments and regulators is increasing, aligned to the evolving societal, regulatory and political landscape. There also remains a risk that the level and pace of responses taken by the Group are insufficient to mitigate these risks. This could lead to campaign groups or other bodies seeking to take action against the Group or the financial services industry for funding organisations that they deem to be contributing to climate change.

The Company has taken an exemption from Streamlined Energy and Carbon Reporting (SECR), in its own Directors' Report as it is included within LBG's SECR report given in the Lloyds Banking Group plc 2023 Annual Report and Accounts, available on the LBG website.

General

The Directors do not consider there to be any further material issues which need to be included in the Strategic report. Approved by the Board of Directors and signed on its behalf by:

R J Clark
Director

6 June 2024

Directors' report
For the year ended 31 December 2023

The Directors present their Annual report for the year ended 31 December 2023.

General information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (registered number: 02299428).

Registered office

The Company's registered office is Barnett Way, Gloucester, GL4 3RL.

Company Secretary

The Company Secretary is Mr P Gittins.

Dividends

No dividends were paid or proposed during the year ended 31 December 2023 (2022: £nil).

Events after the reporting date

There are no material events after the reporting date requiring disclosure in these financial statements.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the note 1 to the financial statements.

Information included in the Strategic report

The disclosures for Future outlook, Principal risks and uncertainties, Employees and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on pages 1 to 2.

Streamlined Energy and Carbon Reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("The 2018 Regulations") came into effect on 1 April 2019. The 2018 Regulations impose requirements on large companies as defined by sections 465 and 466 of the Companies Act 2006 to prepare an equivalent report to the Directors' Report ("the Energy and Carbon Report") for each financial year including their energy and carbon information. Though the company is within scope for Streamlined Energy and Carbon Reporting (SECR), the Directors have elected for an exemption from SECR based on LBG's consolidated financial statements providing sufficient SECR details for all its subsidiaries.

The company is committed to LBG's climate change goals set in 2020 of achieving net zero emissions by 2050 or sooner. The Directors have given much consideration to the company's approach and set the following objectives which are closely monitored by the Board:

- ensure the company's operations are net zero by 2030;
- support LBG companies to reduce their emissions by 50% by 2030, on a path to net zero by 2050 or sooner.make judgements and accounting estimates that are reasonable and prudent;

Further information on LBG's process can be found in their Annual Report.

Directors

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

R J Clark	(Appointed 1 February 2024)
C D Tozer	(Appointed 29 June 2023)
M D Goodship	(Appointed 29 June 2023; resigned 2 February 2024)
R W Fletcher	(Resigned 9 August 2023)
C Gowland	(Resigned 10 July 2023)

Directors' report (continued)
For the year ended 31 December 2023

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 the Director who joined the Board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service.

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

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 the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

Statement of 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 them aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

The auditor, Deloitte LLP, was the auditor of the Company during the period under review and are to remain in office until the conclusion of the Company's annual general meeting. Having expressed their willingness to continue in office, and pursuant to section 489 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors and signed on its behalf by:

R J Clark
Director

6 June 2024

Statement of comprehensive income
For the year ended 31 December 2023

	Note	**2023**	2022
		£'000	£'000
Interest income		**6,299**	1,401
Interest expense		**(12)**	(14)
Net interest income	2	**6,287**	1,387
Fees and commission income	3	**69**	69
Net Income		**6,356**	1,456
Other operating income / (expense)	4	**18**	(7)
Profit before tax		**6,374**	1,449
Taxation	7	**(1,472)**	(236)
Profit for the year, being total comprehensive income		**4,902**	1,213

All profit for the year being total comprehensive income is attributable to continuing operations.

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet
As at 31 December 2023

	Note	2023	2023
		£'000	£'000
ASSETS			
Cash and cash equivalents		**170,179**	163,473
Receivables / amounts due from group undertakings	8	**100**	784
Loans and advances to customers	9	**283**	341
Right of use asset	10	**142**	166
Total assets		**170,704**	164,764
LIABILITIES			
Borrowed funds	11	**47**	105
Other liabilities	12	**390**	488
Provision for liabilities and charges	13	**-**	42
Current tax liability		**1,472**	236
Total liabilities		**1,909**	871
EQUITY			
Share capital	14	**70,000**	70,000
Retained earnings		**98,795**	93,893
Total equity		**168,795**	163,893
Total equity and liabilities		**170,704**	164,764

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements on pages 5 to 20 were approved by the Board of Directors and were signed on its behalf by:

R J Clark
Director

6 June 2024

Statement of changes in equity
For the year ended 31 December 2023

	Share Capital	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 January 2022	70,000	92,680	162,680
Profit for the year being total comprehensive income	-	1,213	1,213
At 31 December 2022	70,000	93,893	163,893
Profit for the year being total comprehensive income	**-**	**4,902**	**4,902**
At 31 December 2023	**70,000**	**98,795**	**168,795**

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement
For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
Cash flows generated from operating activities			
Profit before tax		**6,374**	1,449
Adjustments for:			
- Depreciation of right to use asset	**10**	**24**	48
- Decrease in provision for liabilities and charges	**13**	**(42)**	(102)
- Net decrease / (increase) in receivables / amounts due from group undertakings	**8**	**684**	(116)
Cash generated from operating activities		**7,040**	1,279
Corporation tax paid		**(236)**	-
Net cash generated from operating activities		**6,804**	1,279
Cash flows generated from investing activities			
- Sub lease of right of use asset		**(58)**	341
- Net decrease / (increase) in loans and advances to customers	**9**	**58**	(341)
- Interest expense on operating lease	**2**	**12**	14
- Interest received on loans and advances to customers		**(8)**	(9)
Net cash generated from investing activities		**4**	5
Cash flows used in financing activities			
- (increase in) / Proceeds from Net borrowings	**11**	**(58)**	68
- Repayment of borrowing with leasing liabilities		**(110)**	(110)
- Receipt of lending on leasing asset		**66**	27
Net cash used in financing activities		**(102)**	(15)
Change in Cash and cash equivalents		**6,706**	1,269
Cash and cash equivalents at beginning of year		**163,473**	162,204
Cash and cash equivalents at end of year		**170,179**	163,473

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2023

1. Accounting policies

1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards ("IFRS"s) as issued by the International Accounting Standards Board ("IASB"). The financial information has been prepared under the historical cost convention. In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity. No new IFRS pronouncements which have been adopted resulted in a material impact within these financial statements. Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2023 and which have not been applied in preparing these financial statements are given in note 21.

The Directors are satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis, taking into account:

- the Company is not actively trading and has adequate liquid resources to cover its liabilities.

The Company, as a subsidiary of Lloyds Bank plc, has the benefit of a letter of support dated 21 February 2024, which confirms that it is the intention of Lloyds Bank plc to support its subsidiaries in meeting its financial obligations as they fall due. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

1.2 Revenue recognition

Net interest income

Interest income and expense are recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest rate method, except for those classified at fair value through profit or loss. The effective interest rate method is used to calculate the interest income or interest expense recognised over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability.

Fees and commission income and expense

Fees and commissions receivable which are not an integral part of the effective interest rate are recognised as income as the Company fulfils its performance obligations. Fees and commission income and expense primarily relate to operating expenses recharged to Lloyds Bank plc.

1.3 Financial assets and liabilities

Financial assets comprise cash and cash equivalents, receivable/amount due from group undertakings and loans and advances to customers. 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 the risks and rewards, but has transferred control.

Financial liabilities are comprised of borrowed funds, provisions for liabilities and charges and other liabilities. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.4 Taxation

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

1. Accounting policies (continued)

1.4 Taxation (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.

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

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

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

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

1.5 Employee Benefit Obligations

Pension schemes

The Company participates in various defined benefit and defined contribution pension schemes operated by Companies within the Group.

A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and salary. A defined contribution plan is a pension plan into which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions.

With effect from 1 January 2019, the Group revised its methodology for the intra-group re-charge relating to defined benefit scheme costs. Under this revised approach, the Company is charged the cash contributions paid to the various schemes during the year relating to its employees' current service. The Company accounts for its pension arrangements in accordance with IAS 19. As the amount charged to the company is based on the cash contributions of Lloyds Bank plc, no asset or liability or movements in other comprehensive income are recognised by the Company.

Costs relating to the Group's defined contribution plans are charged to the Statement of comprehensive income in the period in which they fall due.

1.6 Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

As lessor

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee but not necessarily legal title. All other leases are classified as operating leases. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable, net of allowances for expected credit losses, within loans and advances to banks and customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income. Finance lease income is recognised in interest income over the term of the lease using the net investment method (before tax) so as to give a constant rate of return on the net investment in the leases. Unguaranteed residual values are reviewed regularly to identify any impairment.

Notes to the financial statements (continued)
For the year ended 31 December 2023

1. Accounting policies (continued)

1.6 Leases (continued)

Operating lease assets are included within property, plant and equipment at cost and depreciated over their estimated useful lives, which equates to the lives of the leases, after taking into account anticipated residual values. Operating lease rental income is recognised on a straight-line basis over the life of the lease.

The Group evaluates non-lease arrangements such as outsourcing and similar contracts to determine if they contain a lease which is then accounted for separately.

As lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

1.7 Provision and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

1.8 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of critical accounting judgements and key sources of estimation uncertainty that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In the course of preparing these financial statements, no critical accounting judgements or key sources of estimation uncertainty have been made in the process of applying the company's accounting policies.

1.9 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprises balances with less than three months' original maturity.

Notes to the financial statements (continued)
For the year ended 31 December 2023

2. Net Interest Income

	2023	2022
	£'000	£'000
Interest receivable on financial assets (see note 15)	**6,291**	1,392
Interest on loans and advances to customers	**8**	9
Interest expense on lease liability	**(12)**	(14)
	6,287	1,387

Interest on loans and advances to customers relates to interest income on finance leases. All income that the Company generates is from UK only.

3. Fee and commission income

	2023	2022
	£'000	£'000
Fees and commission income (see note 15)	**69**	69

Fee and commission income comprises operating expenses recovered by the Company through its service charge agreement.

4. Other operating (income) / expense

	2023	2022
	£'000	£'000
Depreciation (see note 10)	**24**	48
PPI provision charge (see note 13)	**(42)**	(41)
	(18)	7

5. Staff costs

The monthly average number of persons employed by the Company during the year was as follows:

	2023	2022
	No.	No.
Persons employed and charged to other group companies - all UK	**412**	470

The data for employee numbers is based on headcount of employees, rather than Full Time Equivalents. Employees include persons on a historic Cheltenham & Gloucester plc contract. All persons whose salaries were previously recognised within the Company, had their staff costs transferred to Lloyds Bank plc from the 1st September 2019.

6. Directors' emoluments

No Director received any fees or emoluments from the Company during the year (2022: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities.

Notes to the financial statements (continued)
For the year ended 31 December 2023

7. Taxation

	2023 £'000	2022 £'000
a) Analysis of tax expense for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**1,472**	236
Current tax expense	**1,472**	236

Corporation tax is calculated at a rate of 23.5% (2022: 19%) of the taxable profit for the year.

b) Factors affecting the tax expense for the year

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

	2023 £'000	2022 £'000
Profit before tax	**6,374**	1,449
Tax expense thereon at UK corporation tax rate of 23.5% (2022: 19%)	**1,498**	275
Factors affecting expense:		
- Non-taxable items	**-**	(6)
- Timing differences not recognised	**(26)**	(33)
Tax expense	**1,472**	236
Effective rate	**23.1%**	16.3%

A deferred tax asset of £1,061k relating to miscellaneous losses has not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions the losses can be carried forward indefinitely and offset against future taxable profits

8. Receivables / amounts due from group undertakings

	2023 £'000	2022 £'000
Amounts due from group undertakings (see note 15)	**100**	784

All Amounts due from group undertakings are unsecured and repayable on demand. All Amounts due from group undertakings are included within Stage 1 for IFRS 9 purposes. The expected credit loss is £nil (2022: £nil).

9. Loans and Advances to customers

From 28 April 2022, the Company subleased its Queen Street property for an initial annual amount of £40k (thereafter £80k per annum). The Company's finance lease receivables are classified as loans and advances to customers and accounted for at amortised cost. The balance is analysed as follows:

	2023	2022
	£'000	£'000
Not later than 1 year	**80**	67
Later than 1 year and not later than 2 years	**80**	80
Later than 2 years and not later than 3 years	**80**	80
Later than 3 years and not later than 4 years	**59**	80
Later than 4 years and not later than 5 years	**-**	59
Gross investment in finance leases receivable	**299**	366
Unearned future finance income on finance leases	**(16)**	(25)
Net investment in finance leases	**283**	341

The net investment in finance leases represents amounts recoverable as follows:

	2023	2022
	£'000	£'000
Not later than 1 year	**73**	58
Later than 1 year and not later than 2 years	**75**	73
Later than 2 years and not later than 3 years	**77**	75
Later than 3 years and not later than 4 years	**58**	77
Later than 4 years and not later than 5 years	**-**	58
Net investment in finance leases	**283**	341

Notes to the financial statements (continued)
For the year ended 31 December 2023

10. Right of use asset

	Right of use assets £'000	Total £'000
Cost		
At 1 January 2022	859	859
Sub lease on right of use asset	(360)	(360)
At 31 December 2022	499	499
At 31 December 2023	**499**	**499**
Accumulated depreciation		
At 1 January 2022	286	286
Depreciation charge for the year	95	95
Depreciation benefit on right of use asset	(48)	(48)
At 31 December 2022	333	333
Depreciation charge for the year	**95**	**95**
Depreciation benefit on right of use asset	**(71)**	**(71)**
At 31 December 2023	**357**	**357**
Balance sheet amount at 31 December 2023	**142**	**142**
Balance sheet amount at 31 December 2022	166	166

As at 31 December 2023 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £'000	2022 £'000
Not later than one year	**110**	110
Later than one year and not later than five years	**302**	413
	412	523

11. Borrowed funds

	2023 £'000	2022 £'000
Amounts due to group undertakings (see note 15)	**47**	105

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made. All amounts are non-interest bearing.

12. Other liabilities

	2023 £'000	2022 £'000
Lease liability	**390**	488

Notes to the financial statements (continued)
For the year ended 31 December 2023

13. Provision for liabilities and charges

	Total £'000
At 1 January 2022	144
Release for the year	(41)
Utilised during the year	(61)
At 31 December 2022	42
Release for the year	**(42)**
At 31 December 2023	**-**

14. Share capital

Allotted, issued and fully paid:	**2023 £'000**	2022 £'000
70,000,000 (2022: 70,000,000) ordinary shares of £1 each	**70,000**	70,000

15. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity. The Company's key management personnel are its Directors, who consider that their duties in respect of the Company are incidental to their Group responsibilities. No director entered into transactions with the Company in the year (2022: none).

Banking transactions are entered into by the Company with the Group and its subsidiaries in the normal course of business and on normal commercial terms. No intercompany balances are secured and no provision for doubtful debt is provided in the financial statements for 2023.

Cash and cash equivalents of £170,179k (2022: £163,473k) comprises a bank account and call deposit account held with its parent undertaking Lloyds Bank plc.

Amounts due from group undertakings are unsecured. Interest bearing assets are charged at SONIA and repayable on demand. Balances are included within Stage 1 for IFRS 9 purposes and any expected credit losses are considered to be immaterial.

	2023 £'000	2022 £'000
Interest Income		
Interest Income on deposits held with Parent (see note 2)	**6,291**	1,392
Fees and commission income		
Commission receivable from Parent (see note 3)	**69**	69
Amounts due from group undertakings		
Amounts due from Parent (see note 8)	**100**	784
Amounts payable to group undertakings		
Amounts payable to Parent (see note 11)	**47**	105

Notes to the financial statements (continued)
For the year ended 31 December 2023

16. Financial risk management

The Company is exposed to liquidity risk and interest rate risk; it is not exposed to any significant market, foreign exchange or business risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the immediate parent company, Lloyds Bank plc, and the ultimate parent, LBG. Interest rate and liquidity risk faced by the Company is in substance managed by other group undertakings.

A description of the Company's financial assets and liabilities and associated accounting is provided in note 1.

16.1 Credit risk

Credit risk management

The Company's credit risk exposure arises in the UK. Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The maximun credit risk exposure of the company in the event of other parties failing to perform their obligations is detailed below:

	2023 £'000	2022 £'000
Cash and cash equivalents	**170,179**	163,473
Receivables / amounts due from group undertakings	**100**	784
Loans and advances to customers	**283**	341
	170,562	164,598

Cash and cash equivalents and Amounts due from group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is considered to be trivial. Balances are included in Stage 1 for IFRS 9 purposes.

16.2 Liquidity risk

The Company is deemed to have low exposure to the risk of being unable to meet its financial obligations as they fall due or only being able to do so at an unacceptably high cost.

The Group manages and monitors liquidity risks and ensures that liquidity risk management systems and arrangements are adequate with regards to the internal risk appetite, strategy and regulatory requirements. Liquidity policies and procedures are subject to independent internal oversight by Risk. The Company ensures it is compliant with these requirements, policies and procedures.

The liquidity table below is a contractual maturity analysis for all borrowed funds, based on the earliest date the entity could be expected to repay the amounts owed. All borrowed funds mature within one month.

Borrowed funds are classed as stage 1 for IFRS 9 purposes.

Total Borrowed funds

	2023 £'000	2022 £'000
Borrowed funds		
Up to 1 month maturity	**47**	105
Other liabilities		
Less than 1 year	**108**	108
Between 1-2 years	**105**	105
Between 2-5 years	**177**	275
Total Borrowed funds	**437**	593

Notes to the financial statements (continued)
For the year ended 31 December 2023

16. Financial risk management (continued)

16.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level. The Company has no interest bearing assets from third parties and no deposits are placed outside of the Group.

The Company has interest bearing assets on deposits within the Group and interest earned on these amounts is variable and based on SONIA.

A sensitivity analysis has been performed as at 31 December 2023 to assess the impact of interest rates being 25 base points ("bps") higher or lower with all other variables held constant. The Company has taken a prudent approach to this analysis by assuming that any base point movement would be completely reflected in all interest bearing assets. The net effect on the Company's Statement of comprehensive income would be as shown in the following table:

	-25bps £'000	Interest income £'000	+25 bps £'000
2023	**5,885**	**6,291**	**6,697**
2022	986	1,392	1,798

	-25bps £'000	Equity £'000	+25 bps £'000
2023	**168,389**	**168,795**	**169,201**
2022	163,487	163,893	164,299

In respect of income-earning financial assets and interest expense lease liabilities, the following table indicates the years in which they mature:

	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	5 years or more £'000	Total £'000
2023					
Assets					
Cash and cash equivalents	170,179	-	-	-	**170,179**
Total Assets	170,179	-	-	-	**170,179**
Liabilities					
Other liabilities	108	105	177	-	**390**
Total Liabilities	108	105	177	-	**390**

	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	5 years or more £'000	Total £'000
2022					
Assets					
Cash and cash equivalents	163,473	-	-	-	**163,473**
Total Assets	163,473	-	-	-	**163,473**
Liabilities					
Other liabilities	108	105	275	-	**488**
Total Liabilities	108	105	275	-	**488**

Notes to the financial statements (continued)
For the year ended 31 December 2023

17. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the Board of Directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Board of Directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company has liquid assets and does not require funding.

18. Retirement benefit obligations

The Group operates a number of defined benefit and defined contribution schemes, in which some of the employees of the Company participate.

Defined contribution schemes

Employees are members of the Lloyds Bank Pension Scheme No 1.

Defined benefits schemes

The remaining employees of the Company are members of the defined benefit sections of the Lloyds Bank Pension Scheme No 1. This is a funded scheme providing retirement benefits calculated as a percentage of final pensionable salary depending upon the length of service. The minimum retirement age under the rules of the scheme at 31 December 2023 is generally 55 although certain categories of member are deemed to have a contractual right to retire at 50. They are operated as separate legal entities under trust law by trustees and the responsibilities for their governance rest with Pension Trustees.

Further information on the Group's defined benefits schemes is included within the consolidated annual report and accounts of LBG, the ultimate parent company.

19. Contingent liabilities

Contingent tax 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 2013, HMRC informed the Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded its enquiry into the matter and issued a closure notice. The Group's interpretation of the UK rules has not changed and hence it appealed to the First Tier Tax Tribunal, with a hearing having taken place in May 2023. 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 current tax liabilities for the company of approximately £28,804k (including interest). The Group, following conclusion of the hearing and having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

Contingent liabilties

During the ordinary course of business the Company is subject to complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the United Kingdom and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisors where appropriate, to determine the likelihood of the Company incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management's best estimate of the amount required at the relevant Statement of financial position date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the situation, and no provisions are held in relation to such matters.

20. Post balance sheet events

There are no post balance sheet events requiring disclosure or adjustment in these financial statements.

Notes to the financial statements (continued)
For the year ended 31 December 2023

21. Future accounting developments

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non-current liabilities with covenants, and IAS 1 Classification of liabilities as current or non-current. These amendments are not expected to have a significant impact on The Group.

22. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Lloyds Bank plc.

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Lloyds Bank plc. Copies of the consolidated annual report and accounts of Lloyds Bank plc may be obtained from LBG's head office at 25 Gresham Street, London EC2V 7HN or downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

The ultimate parent undertaking and controlling party is LBG, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of LBG may be obtained from the Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

Independent auditor's report to the members of Cheltenham & Gloucester PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cheltenham & Gloucester PLC (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2023 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 22.

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.

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Sarah Hellens FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Newcastle, United Kingdom
06 June 2024