Registered No. 09955930

EMBARK INVESTMENT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

EMBARK INVESTMENT SERVICES LIMITED

Contents

EMBARK INVESTMENT SERVICES LIMITED

Company Information

Directors	J Anderson P McMahon J Leiper S C Guild D Mackechnie D M H Skinner
Company secretary	A L Jordan
Registered office	100 Cannon Street London England EC4N 6EU
Company registration	09955930
Advisors	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

EMBARK INVESTMENT SERVICES LIMITED

Strategic Report

Principal activities

Embark Investment Services Limited ("the Company") provides a low-cost investment administration platform to financial advisers and, in white-label format, execution only distribution partners. Built on market leading technology, the 'Scottish Widows Platform' offers a wide range of wrap products and investments and makes extensive use of straight-through processing to fully automate major processes.

There have been no changes to the principal activities of the Company throughout the year. The Directors are not aware of any planned major changes in the Company's activity in the next year.

Results for the year

The key financial performance indicators for the Company are revenue and profit before tax. Financial performance indicators are presented throughout these financial statements and summarised below. The key non-financial performance indicator is client numbers, these are also presented below.

The profit before tax for the year ending 31 December 2023 was £975k (2022: loss of £3,116k) with an increase in total revenue to £28,279k (2022: £17,620k). The increase in revenue and profitability are driven by the migration of clients from Sterling ISA Managers Limited, discussed further below.

The total value of assets under administration ("AuA") of the Company on 31 December 2023 increased to £23,176m (2022: £7,887m), driven by the client migration. AuA of the Company consist of safe custody assets, which the Company administers for its clients, and client money balances, for which the Company holds legal title on trust for its clients. These assets are not recognised as assets on the Statement of Financial Position of the Company.

Account numbers represents the number of accounts served by Embark Investment Services Limited. As at 31 December 2022 and 2023, these balances were:

Account Numbers at Year End	**2023**	**Net Change**	**Migrated from SIML**	**2022**
SIPP	102,358	4,634	78,397	19,327
WRAP	322,314	9,098	127,480	185,736
Total	**424,672**	**13,729**	**205,880**	**205,063**

This represents a 107.1% increase in overall client numbers, driven by the migration of the Embark Advance portfolio of clients from Sterling ISA Managers Limited. The migration was completed in October 2023 and included £14.1bn AuA.

Business review

In 2022 Embark Group Limited ("EGL"), the Company's immediate parent, was acquired by Scottish Widows Group Limited ("SWG"), a wholly owned subsidiary of Lloyds Banking Group plc ("LBG"). 2023 has seen further combining of Embark and LBG capabilities and continued opportunities to leverage capability within the wider group. This is evidenced by the launch of the Ready-Made Investments proposition, the launch of the Scottish Widows Platform and the harmonisation of employee terms for colleagues.

The Ready-Made Investments proposition was launched in February 2023 under the wider group's Lloyds, Halifax and Bank of Scotland brands. As of the balance sheet date the new proposition had 13,600 active accounts and £51m of assets under administration.

In October 2023, the integration of the advisers and customers from Sterling ISA Managers Limited ("SIML") concluded with the transfer of the Embark Advance portfolio of clients, resulting in £14.1bn of AuA and 120k customers transferring from SIML.

The continued growth of the business has driven additional investment within the Company to strengthen technology capabilities, operational processes and people to meet evolving adviser and customer requirements, including automation of services, development of User Interface / User Experience (UI/UX) and integration of third-party solutions with key platform activities. The Company continues to invest in its facilities and people at its core location in Dundee through a number of building improvements and staff recruitment during the year.

To support the transformation of the business, £15,500k (2022: £2,500k) of additional capital was injected in 2023 by the parent company, Embark Group Limited. As at 31 December 2023, the Company had calculated liquid capital of £24,707k, surplus regulatory capital of £6,004k giving a capital ratio of 132%. The Company calculates its regulatory capital monthly under the rules prescribed by the Financial Conduct Authority ("FCA") and formally reports this to the FCA quarterly.

Future developments

In the view of the Directors, the Company will continue to see strong medium-term growth both in terms of the markets it participates in and its respective share. This will be driven by continued flows onto the platform from existing advised, white-label and partner relationships and dealing activity within the Stocktrade business. The continued integration with LBG will evolve the business further and is expected to drive significant growth through multi-channel opportunities, utilising the scale and reach of the Group and its existing proposition.

The Company will continue to invest in technology, operational capability and service model to support these ambitions. The Company launched Ready-Made Pensions in March 2024 under the Lloyds, Halifax and Bank of Scotland brands which will further enhance the platform proposition.

Strategic Report (Continued)

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

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.

Embark Group Limited and its subsidiaries ("the Group") is a subsidiary of SWG, which in turn is a subsidiary of LBG. As such, the Group follows many of the processes and practices of LBG, which are further referred to in this Section 172(1) Statement where relevant. The Group has retained an independent governance structure which is reflected in the independent board of the Group ("the Board") and accountability framework, to enable retention of rapid decision making, ability to deliver change at pace, and retention of inherited entrepreneurial culture.

The Board is collectively responsible for the long-term success of the Company. Understanding the views and interests of our key stakeholders (this includes customers, shareholders, employees, communities, the environment, regulators and suppliers), is central to the Group's strategy, and informs key aspects of Board decision-making as set out in this Statement. Stakeholder engagement is embedded within the Board's decision-making process and can be seen in the range of activities across key stakeholder groups.

The Board is responsible for establishing, monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure our obligations to our shareholders, employees, customers and others are met. It is also focused on the wider social context within which the businesses operate.

How the Board had discharged its Section 172 duties

The Directors, on appointment and during their induction to the Board, are briefed on their statutory director duties and the standards required.

The Board considers it crucial that it maintains a reputation for high standards of business conduct. As such, there have been a number of changes made to the governance framework against an increased focus on corporate governance, capital, liquidity, conduct and senior manager accountabilities in accordance with the Senior Managers & Certification Regime ("SM&CR"), including a number of director changes since acquisition by LBG to strengthen expertise within the Board. Board reserved matters and delegated authority to management is designed to enable the Board to provide effective, sound and entrepreneurial leadership of the Company within the Group's strategic aims and prudent and effective controls. Stakeholder engagement is embedded in the delegation of authority to the Group CEO and those holding SM&CR accountability for the delivery of the overall management of the Group's business within its defined risk appetite. A Group Executive Committee meets to support the Group CEO and is complemented by a management-led Risk Committee, Customer Committee, Executive Asset and Liability Committee, Change Steering Committee, and a People Committee. The Group CEO and management provide the Board with details of material stakeholder interaction and feedback, through a programme of business updates. Stakeholder interests are routinely identified by management in the wider proposal put before the Board.

The Directors acknowledge that one of the prime responsibilities of the Board is to deliver the strategy of the Company through effectively managing its customer base, 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 conduct standards.

Further details of how the Board considers each of the specific matters set out in section 172, are set out below. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Customers

The Board's understanding of customer needs is vital in setting and achieving the Group's strategy and are a key consideration in Board decision-making. The Board ensure the Company, as part of the Group, works towards achieving the Group's customer ambitions and focusing on treating customers fairly. The Group services a wide variety of different customers and acts in a way designed to meet their diverse needs in a timely and efficient way through its range of products and customer service. During 2023, the Board attended a number of presentations from the customer operational team, including joining call listening and live chat sessions to better understand customer needs and understanding.

The Board reviews the performance of its customer propositions with review, discussion and challenge on product performance and quality of customer service. The Board regularly challenges management from the perspective of the customer, including the development of clearer customer dashboards. The Board has monitored the ongoing integration of the Group since acquisition by SWG, including any impact on customers.

The Board has established a governance framework that aims to treat all customers fairly. The Company's Board Risk Committee monitors the operational performance of customer services and related customer risk matters and scrutinises risk performance to identify where improvements could be made. The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. A full review of the risk framework took place during 2022, reflecting the recent corporate activity and sale to SWG. This is now reviewed on an annual basis, reflecting amendments made by SWG as part of their annual review cycle.

Consumer Duty

During the year, the Board continued to discuss its key role in overseeing the evolution of the Company's implementation of the Financial Conduct Authority's ("FCA") Consumer Duty principle from 2023, in particular the cultural embedding of the Duty. This will strengthen the Company's focus on the delivery of good outcomes for customers, specifically ensure customers receive information they can understand, products and services that meet their needs and offer fair value, and ensure customers receive the support they need.

The Board of the Group recognise the importance of understanding its performance in supporting customers, including how the Group performs relative to its peers. Regular Board updates form management cover a range of relevant internal and external sources. Together these provide important insight that informs Board decision-making. Throughout 2023, the Board have challenged management on the implementation of the Duty requesting the presentation of management information at their quarterly meetings as well as requesting demonstrable evidence to enable oversight of good customer outcomes.

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

Employees

The Directors recognise that our employees are fundamental to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining, and motivating employees. This includes ensuring that we remain a responsible employer, offer attractive pay & benefits and desirable workplace environments. The Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

On 1st May 2023 the employee terms for Embark colleagues became harmonised with those in LBG and access to the wider people operating model was enabled for Embark colleagues. Embark colleagues are now in scope of all people and intrinsically related culture plans. Positive feedback has been received from colleagues on the terms and the breadth of benefits available to them, particularly in relation to learning and development.

It is the Group's policy that employees are kept informed of business performance including quarterly presentations by the senior management team and regular departmental and team meetings. Employee surveys are carried out to ascertain the views of employees which can be considered when making decisions that affect their interests. Results of employee surveys are reported and discussed at the Embark Tier 1 Nominations and Governance Committee, including the proposed management action plan. These discussions consider the culture of the Company critical to driving good customer outcomes and central to long-term strategic decision making.

The Group is committed to high standards of governance and business conduct for each of its companies. An extensive review of Embark's Corporate Governance Structure took place in 2022/23, which included a review of the nominated senior management function holders under the SM&CR and the simplification of Embark's governance structure from multiple separate core entity Board and Committees to a Tier 1 Board and Committee model with common directorships to enable concurrent Board meetings to be held, where appropriate, to reduce the duplication of matters. During 2023/24, we have continued to strengthen and simplify Embark's corporate governance through legal entity simplification, the dissolution of EGL's Remuneration Committee following employee harmonisation and EGL becoming a recipient of LBG's full people strategy and plan.

Shareholders

The Company is a wholly owned subsidiary of EGL. EGL is a subsidiary of SWG, forming part of the Insurance, Pensions & Investments division of LBG. As part of LBG following acquisition in 2022, the Directors are focused on ensuring 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 shareholder are duly acknowledged. Further information in respect of LBG's relationship with its shareholders can be found within the Strategic Report section of LBG's 2023 Annual Report and Accounts, which does not form part of this report, available on LBG's website.

The relationship between the Board of the Group and the Board of SWG is supported by the Chair of the Group who provides a Chair Report to SWG Board following all Board meetings. The Embark Senior independent Director and Chair of the Embark Tier 1 Nominations & Governance Committee also has a direct line to the Independent Chair of SWG.

Regulators

The Company provides regular updates on its activities to relevant regulators. The status of regulatory relationships continues to be closely monitored, and the Company proactively engages with the regulators on key regulatory changes and areas of focus. The Board is updated on interaction with regulators and regulatory developments, taking these into account when considering future actions.

As outlined above, the Company focused on the implementation of the FCA's new Consumer Duty requirements to ensure the delivery of good outcomes for customers. Work in the platform companies focused on the safe migration of customer's investments from Sterling ISA Managers Limited to Embark Investment Services Limited which completed successfully in October 2023.

Suppliers

As part of Lloyds Banking Group, the Company has entered into a number of strategic partnerships for important aspects of its operations and customer service provision. As well as external partners, the Company relies on supplier arrangements within Lloyds Banking Group for certain services. The Board delegates to management the primary responsibility of oversighting those relationships, while recognising that they are integral to the Company's future success. Throughout 2023 the Board has held management to account for the performance of supplier relationships, including for third-party provision of customer servicing.

The outsourced business model allows the Company to negotiate competitive fees and commercial terms with its service suppliers to control costs for all the Company's customers.

Importance is placed on having the right supplier framework to operate responsibly. The most significant supplier contracts receive approval of the Board, including those which are key in progressing strategic priorities. The supplier framework also ensures appropriate management oversight of supplier spending not considered by the Board, allowing challenge to be made where appropriate, and minimising risks and unnecessary cost.

Lloyds Banking Group remains committed to collaborating with suppliers to tackle climate change and ensure it is embedded within strategy and governance of its organisations. Reducing suppliers' emissions is a key component of its sustainability strategy and where the Company leverages Lloyds Banking Group agreements, those suppliers will be subject to sustainability criteria.

Strategic Report (Continued)

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

Communities and the Environment

The service-based nature of the Company means it carries a small environmental footprint; however, the Board is committed to ensuring that any impact on the environment is minimised, with corporate responsibility taken very seriously, both in the ways we currently operate, and the potential future impact of any decisions being made. This filters to our office locations through local facility managers to minimise use of power, utilise recycling services and minimising waste. Technology is utilised in all areas to reduce the dependency on paper, printing, and postage.

Technology is further utilised to reduce the amount of travel from location to location, and the Board promotes the use of video and online conferencing.

The Group aims for its workforce to reflect the diverse communities in which it operates and recognises that diversity is a key part of a responsible business strategy and supports a strong customer experience. The Group supports local, national, and international charities and actively promotes staff participation in fund raising efforts.

Further information regarding the Company's approach to supporting communities and the environment can be found in the Group's CSR report available from https://embarkgroup.co.uk/corporate-social-responsibility/.

Principal risks and uncertainties

The management of the Group and the execution of the Group's strategy are subject to Board governance against a risk management framework. The Group operates a 'three lines of defence' model and there is a formal structure for identifying, monitoring, and managing risks throughout the Group comprising a risk appetite statement agreed by the Board, detailed risk management policies, independent governance, and risk oversight.

The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. A full review of the risk framework took place during 2022, reflecting the recent corporate activity and sale to Lloyds Banking Group. This review ensured that all businesses identify both existing and emerging risks in a consistent manner and continue to develop appropriate mitigation strategies within a refreshed Group framework which aligns to the expectations and appetite of the new parent.

The Directors actively monitor and manage potential risks to the Group that could hinder the successful implementation of its strategy. These risks may arise from internal and external events, acts and omissions. The Directors are proactive in identifying, assessing, and managing all risks facing the Group, including the likelihood of each risk materialising in the short or longer term.

Given the nature of activities undertaken by the Embark Group, the Directors believe the principal risks and uncertainties the Group faces are:

- Strategic
- Regulatory & Legal
- Change / Execution
- Operational (including Operational Resilience)
- Data
- People
- Conduct
- Climate
- Market
- Credit
- Funding & Liquidity
- Capital

The risks to the Group have been fully assessed and mitigated to the extent possible and a full risk register is maintained. The principal risks and the approach taken by the Group to mitigate their potential impact are set out below.

Strategic Risk

Strategic risk is the risk which results from incorrect assumptions about internal or external operating environments; failure to respond or the inappropriate strategic response to material changes in the external or internal operating environments; or failure to understand the potential impact of strategic responses and business plans on existing risk types. This extends to the exposure to weak product and service propositions that are uncompetitive in the market or distribution channels, and sales concentration risk.

The Board is accountable for the setting and oversight of the strategy and associated risk appetite, with regular reporting and challenge on delivery of strategic initiatives and management within risk appetite.

Regulatory & Legal Risk

The Group operates in a highly regulated and technical industry. The Group's operations are subject to authorisation from the FCA, and supervision from bodies such as the FCA, HMRC and The Pensions Regulator. The risk is that one or more of the companies within the Group does not comply with the relevant requirements and standards of the regulatory framework or there is a change in accepted industry practice which could lead to past liabilities. Regulatory risk also includes the risk of having the 'licence to operate' withdrawn by the regulator, or having conditions applied that adversely impact the Group.

The Group operates a 3 Lines of Defence model; the first line of defence (the business) is accountable for the identification and management of risks; the second line of defence is accountable for oversight and challenge and reports directly to the CEO and the Board; the third line of defence (internal audit) is responsible for independent assurance.

Principal risks and uncertainties (continued)

The Compliance function sits within the second line of defence and is responsible for ensuring all new rules and regulations, as well as changes in industry practice are captured, interpreted, and cascaded across business areas so appropriate action can be taken to ensure compliance with relevant rules and regulations. The Group Board is supported by the Board Risk Committee which is chaired by a non-executive Director where all existing and new risks are reported and scrutinised.

Change/ Execution Risk

The risk that, in delivering its change agenda, the Group fails to ensure compliance with laws & regulation, maintain effective customer service and availability, and/or operate within the Group's risk appetite. Embark's change agenda, key to its growth strategy, is closely and centrally managed within the Group.

Operational Risk

Operational Risk is defined as the risk of loss from inadequate or failed internal processes, people, and systems, or from external events. It extends to financial crime, cyber risk, and counterparty risk. As a dimension of Operational risk, Operational Resilience risk is defined as the risk of failing to design resilience into business operations, underlying infrastructure, and controls (people, process, technology) to withstand external or internal events which could impact the continuation of operations, and/or failing to respond in a way which meets customers and stakeholder expectations and needs when the continuity of operations is compromised.

The Group actively identifies, assesses, and manages such risks in an effective manner and ensures the risk management approach is embedded into all business activities. The approach is supported by the establishment of risk registers that enable management to identify areas and trends of risks so that they can implement appropriate preventative and corrective measures and controls.

Data Risk

The risk of failing to effectively govern, manage, and control its data (including data processed by Third Party Suppliers) leading to unethical decisions, poor customer outcomes, loss of value and mistrust.

The Group's Data Protection policy and procedures support compliance with legal and regulatory requirements relating to data privacy, records and data management and set the standards applied across the Group.

People Risk

The Group's future success is dependent on its ability to attract and retain highly skilled and qualified colleagues to deliver a high level of customer service in a highly regulated sector. To minimise this risk the Group seeks to recruit and retain high quality experienced individuals that align to the values of the Group. To support this, we offer market competitive packages, structured development, and work with colleagues to ensure there is a favourable work environment.

Conduct Risk

Conduct Risk is defined as the risk of customer detriment across the customer lifecycle including failures in product management, distribution, and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss. The Group has a dedicated Proposition team that is responsible for regularly reviewing and maintaining the various products and services offered throughout the Group with a view to ensuring they remain viable, compliant and represent fair value for money.

Climate Risk

Climate risk is defined as the risk of losses and/or reputational damage, either from the impacts of climate change and the transition to net zero ('inbound') or as a result of Embark's response to tackling climate change ('outbound').This encompasses Embark's direct carbon footprint (office and travel policies), climate-related investment exclusions within our Horizon investment funds (e.g. thermal coal and tar sands) and the risk of inadvertently greenwashing within our direct marketing materials and across our investment proposition. Embark has a robust marketing approvals process. Our Horizon funds (for which we are manufacturer) are not labelled as ESG funds, and funds onboarded to our Platforms (where we are distributor) are subject to screening.

Market Risk

Market risk is the risk that the Group's capital or earnings profile is affected by adverse market rates such as interest rates, foreign exchange rate and equity prices.

The Group's financial instruments primarily comprise cash and cash equivalents, trade payables, loans, and trade receivables. All of these arise because of the Group's day to day operations. The Group does not enter into transactions for speculative purposes and there are no instruments held for trading.

As such the main focus of market risk to which the Group is directly exposed is interest rates in relation to interest earned on cash deposits. External rates are outside the Group's control, so mitigation is via having sufficient financial reserves to cover reduced earnings that may arise.

Strategic Report (Continued)

Principal risks and uncertainties (continued)

Credit Risk

Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Group is subject to credit risk through a variety of counterparties through cash held in bank accounts, HMRC receivables and fees receivable from customers.

Credit exposures are appropriately monitored by the firm's Finance function and action is taken where necessary. The credit quality of the reinsurance contract held with ZAL is considered in terms of the probability of default, in line with Article 199 of the Solvency II directive, as ZAL is a Solvency II firm. The probability of default is calculated to be less than 0.05% and is an accepted risk.

Funding & Liquidity Risk

Funding and liquidity risk is the risk that the Group has insufficiently stable and diverse sources of funding, or insufficient financial resources to meet commitments when they fall due or can only secure them at excessive cost.

Liquidity risk is managed by the firm's Finance function and is mitigated by applying a comprehensive liquidity risk management framework, which includes controls to maintain liquidity at necessary levels, including early warning indicators and contingency funding plans.

Capital Risk

Capital risk is the risk that the Group has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across the Group. Capital, which includes regulatory capital for the regulated subsidiaries, comprises all components of equity.

Capital risk is managed by the firm's Finance function, which maintains appropriate tools and governance to monitor capital requirements and assign capital accordingly.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

S Guild
Director
For and on behalf of the Board of Directors
24 April 2024

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31 December 2023.

Business Review

A review for the Company is set out in the Strategic Report on page 4.

Financial risk management

Details of the Company's financial risk management objectives are given in note 17.

Results for the year and dividends

The profit after taxation for the year ended 31 December 2023 was £1,096k (2022: loss of £2,645k). The Directors do not recommend the payment of a dividend (2022: £nil).

The results of the Company are included in the accounts on pages 16 to 19.

Directors

The Directors who served in the year and up to the date of this report, except as noted, were:

J Anderson	
P McMahon	
J Leiper	
S C Guild	
S J O'Connor	(Appointed 17 January 2023, Resigned 30 September 2023)
D Mackechnie	(Appointed 8 February 2023)
D M H Skinner	(Appointed 8 February 2023)
J Lowe	(Appointed 8 February 2023, Resigned 30 September 2023)
P A Davies	(Resigned 30 June 2023)

Directors Indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of 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 Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Employees

It is the Company's policy that employees are kept informed of business performance including regular presentations by the senior management team as well as departmental and team meetings. Employee surveys are carried out to ascertain the views of employees which can be taken into account when making decisions that affect their interests.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees. We aim for our workforce to reflect the diverse communities in which we operate and recognise that diversity is a key part of a responsible business strategy and also supports a strong customer experience. We believe a wide band of inclusion increases performance, empowerment, satisfaction, productivity, equity, creativity, respect, and fairness. The focus on diversity attracts and retains top talent, promotes diverse business partnerships, serves the unique needs of our diverse customer base, and allows us to provide enhanced value to our stakeholders. The Company gives full and fair consideration to all applications for employment.

Applications for employment by applicants who have a disability are always fully considered bearing in mind the abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure their employment within the Company continues and that appropriate training and support is arranged. It is the policy of the Group and the Company that the training, career development and promotion of employees with a disability should, as far as possible, be identical to that of other employees and the Company will consider what reasonable adjustments could be made to support their job or working environment that might assist in the performance of their role.

Directors' Report (Continued)

Going Concern

The Directors have given careful consideration to the future prospects of the Company in deciding upon the appropriateness of the going concern basis of preparation. The financial position of the Company, its cash flows, liquidity, and financial position have been reviewed by the Directors for the next 12 months and beyond, taking into account uncertainties within the forecasts arising from both internal and external market factors. The liquidity and financial position of the Company's immediate parent undertaking, Embark Group Limited, and the wider Group have also been considered as part of the review.

Based on this review, the Directors are comfortable that the Company has adequate resources available to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Future Developments

Factors likely to affect the future developments of the Company have been disclosed in the Strategic Report on page 4.

Political Donations

Political donations during the year were £nil (2022: £nil).

Subsequent events

In April 2024, the Directors approved the issue of 4,000,000 ordinary shares to the parent undertaking, Embark Group Limited, for a total consideration of £4,000,000.

Streamlined Energy and Carbon Reporting

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

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.

Directors' Report (Continued)

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

The Directors' Report has been approved by the Board of Directors and signed on its behalf by:

S Guild
Director
For and on behalf of the Board of Directors
24 April 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBARK INVESTMENT SERVICES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Embark Investment Services Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss 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 statement of financial position;
- the statement of changes in equity;
- the statement of cash flow;
- the material accounting policy information; and
- the related notes 1 to 21.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBARK INVESTMENT SERVICES LIMITED (Continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, HMRC Corporate tax and VAT manual; 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. These included FCA regulatory permissions including Client Assets, GDPR, Bribery Act and Financial Services and Markets Act 2000.

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

As a result of performing the above, we identified the greatest potential for fraud in revenue recognition is in relation to the rate applied in calculating the wrap platform administration service revenue. This represents the largest revenue stream. We have obtained an understanding of the key controls within the reporting process for this account balance and subsequently tested the design and implementation of the key controls identified. Further to this, we collaborated with the Deloitte Analytics and Modelling ("A&M") team to perform a recalculation of 100% of these fees earned by the entity. We have performed detailed testing over the key inputs to this recalculation, specifically the rates and the assets under administration ("AuA") to assess the completeness and accuracy of these inputs.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBARK INVESTMENT SERVICES LIMITED (Continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Tom Noble, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, UK
24 April 2024

EMBARK INVESTMENT SERVICES LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	2	28,279	17,620
Administrative expenses		(27,204)	(20,576)
Impairment loss on trade receivables	10	(100)	(44)
Insurance service expenses	20	(1,688)	-
Net income from reinsurance contracts held	20	1,688	-
Operating profit/(loss)	3	975	(3,000)
Insurance finance income from insurance contracts issued	20	24	-
Finance expenses from reinsurance contracts held	20	(23)	-
Net investment expense	7	(1)	(116)
Profit/(Loss) before tax		975	(3,116)
Taxation	8	121	471
Total comprehensive profit/(loss) for the year		1,096	(2,645)

All results are derived from continuing operations.

The Company has no other items of comprehensive income and as such the Statement of Comprehensive Income agrees to the profit/loss for the year.

The notes on pages 20 to 39 form an integral part of the financial statements.

EMBARK INVESTMENT SERVICES LIMITED

Statement of Financial Position
At 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Deferred tax assets	9	2,120	1,840
		2,120	1,840
Current assets			
Trade and other receivables	10	11,999	3,170
Reinsurance contract assets	20	1,616	-
Current tax assets	8	299	457
Cash and cash equivalents	11	22,666	12,203
		36,580	15,830
Total assets		38,700	17,670
Current liabilities			
Trade and other payables	12	(8,602)	(5,783)
Insurance contract liabilities	20	(1,615)	-
Total Liabilities		(10,217)	(5,783)
Net current assets		26,363	10,047
Net assets		28,483	11,887
Equity			
Capital and Reserves			
Share capital	13	46,855	31,355
Retained losses		(18,372)	(19,468)
Capital contribution reserve		-	-
Total equity		28,483	11,887

Registered No. 09955930

The notes on pages 20 to 39 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2024. They were signed on its behalf by:

S Guild
Director

EMBARK INVESTMENT SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital £'000	Capital contribution reserve £'000	Retained losses £'000	Total equity £'000
Balance at 1 January 2022	28,855	569	(17,863)	11,561
Issue of shares during the year	2,500	-	-	2,500
Total comprehensive loss for the year	-	-	(2,645)	(2,645)
Equity-settled share-based payment transactions	-	(569)	1,040	471
Balance at 31 December 2022	31,355	-	(19,468)	11,887
Issue of shares during the year	15,500	-	-	15,500
Total comprehensive income for the year	-	-	1,096	1,096
Balance at 31 December 2023	46,855	-	(18,372)	28,483

The notes on the following pages 20 to 39 form an integral part of the financial statements.

EMBARK INVESTMENT SERVICES LIMITED

Statement of Cash Flows
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Net cash (used in)/from operating activities	14	(4,468)	2,288
Investing activities			
Net interest paid		(1)	(116)
Net cash used in investing activities		(1)	(116)
Financing activities			
Proceeds from issue of share capital		15,500	2,500
Net cash from financing activities		15,500	2,500
Net increase in cash and cash equivalents		11,031	4,672
Cash and cash equivalents at beginning of year		12,203	7,353
Effect of exchange rates on cash and cash equivalents		(568)	178
Cash and cash equivalents at end of year	11	22,666	12,203

The notes on the following pages 20 to 39 form an integral part of the financial statements.

EMBARK INVESTMENT SERVICES LIMITED
Notes to the financial statements

1. Accounting policies

Embark Investment Services Limited (the 'Company') is a company limited by shares and incorporated and domiciled in the UK. The registered number is 09955930 and the registered address is 100 Cannon Street, London, England, EC4N 6EU.

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

Basis of preparation

The Company's financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standard ("UK-adopted IFRS").

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in pounds sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The Directors have given careful consideration to the future prospects of the Company in deciding upon the appropriateness of the going concern basis of preparation. The financial position of the Company, its cash flows, liquidity, and financial position have been reviewed by the Directors for the next 12 months and beyond, taking into account uncertainties within the forecasts arising from both internal and external market factors. The liquidity and financial position of the Company's immediate parent undertaking, Embark Group Limited, and the wider Group have also been considered as part of the review.

Based on this review, the Directors are comfortable that the Company has adequate resources available to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Cash Flow Statement

The Statement of Cash Flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, impairment of property, plant and equipment and intangible assets, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing of financing activities are eliminated. Interest received or paid is classed as investing cash flows.

New standards and interpretations

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 Company.

Critical accounting judgements and key sources of estimation uncertainty

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the period of the revision and future financial years if the revision affects both current and future financial years.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below:

Insurance liability and associated reinsurance asset

An insurance liability has been recognised on the Statement of Financial Position in respect of the probable future cost associated with contracts containing a Premium Return on Death benefit. In calculating the liability actuarial assumptions have been used. The key assumptions used in the measurement of the liability are as follows:

- Future interest rates
- Mortality
- Persistency
- Equity volatility

There is a corresponding reinsurance asset subject to the same assumptions. Further information on these assumptions and sensitivities are disclosed in note 20.

Operating loss

Operating loss is stated after the inclusion of all operating items, but before financing costs and income from investments.

1. Accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activity. Revenue is shown net of value added tax ("VAT"), returns, rebates and discounts.

The Company recognises revenue when the amount of the revenue can be reliably measured, it is probable that the future economic benefits will flow to the Company and when specific criteria have been met as described below:

- Routine activity fees are recognised at a point in time on completion of the specified activity, net of VAT.
- Transaction fees are recognised at a point in time as the service is provided, net of VAT.
- Annual fees are settled monthly in arrears and are recognised evenly over the period of time to which they relate, in line with the provision of the service, net of VAT.

Payment terms for all fees range from 0-30 days.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

The Company operates a defined contribution pension scheme. The Company pays contributions to employees' individual pension plans on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an expense in the periods during which services are rendered by employees.

Taxation, including deferred income taxes

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

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

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. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Financial instruments

(i) Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). Financial assets (unless it is a trade receivable without a significant financing component) and financial liabilities are measured at FVTPL. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(ii) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

(iii) Subsequent measurement and gains and losses

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Impairment

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets. The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) as this is the point at which the Company is no longer able to realise the full value of the asset

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

1. Accounting policies (continued)

IFRS17 'Insurance Contracts'

Insurance liabilities arise from a return of contribution on death benefit provided on accounts opened prior to 29 April 2011 in the legacy CUTAS book of business. The insurance contract liability represents the estimated liability for any shortfall in the value of units on the additional benefit provided by the Company to investors in the event of death of an investor, where the Company will pay the greater of the fund value and the investments made, less any distributions and withdrawals taken. The contracts are fully reinsured under the Group Life Assurance Arrangement ("GLAA") with Zurich Assurance Limited ("ZAL"). The CUTAS book and the GLAA were novated to the Company from Sterling ISA Managers Limited ("SIML") on 17 February 2023 and insurance contract liabilities and reinsurance assets must be reported under IFRS17 from this date.

IFRS 17 'Insurance Contracts', which replaces IFRS 4 'Insurance Contracts' effective 1 January 2023, requires insurance contracts, including reinsurance contracts to be recognised on the balance sheet as the total of the fulfilment cash flows and the contractual service margin ("CSM"):

- The fulfilment cash flows consist of the present value of future cash flows calculated using best estimate assumptions, together with an explicit risk adjustment for non-financial risk and are required to be remeasured at each reporting date

- CSM represents the unearned profit, where applicable, on the insurance and reinsurance contracts

Changes to estimates of fulfilment cash flows which relate to future service are taken to the CSM, except where onerous contracts are identified. The Company calculates the risk adjustment by applying margins to best estimate cashflows relating to non-financial risks (which are mortality and persistency). The risk adjustment will be released to the income statement as risk expires. For reinsurance contracts held, the CSM represents the net cost or net gain of purchasing reinsurance and the risk adjustment represents the amount of risk transferred from the underlying contracts held.

Under IFRS 17, the Company recognises insurance contract liabilities as best estimate liabilities for future cash flows, plus a risk adjustment for non-financial risk and a CSM. The CSM represents the expected profit for providing insurance contract services and will be released to the income statement throughout the contract period over which the insurance contract services are provided. The risk adjustment is released commensurate with the expiry of non-financial risk associated with the valuation of best estimate cash flows. Assets are recognised for reinsurance contracts held, also comprising best estimate liabilities for future cash flows, plus a risk adjustment and a CSM.

IFRS17 permits the losses expected from the insurance contract liabilities to be offset against the expected recoveries from the ZAL reinsurance contract, creating a loss-recovery component. The loss-recovery component reduces the amount of the reinsurance CSM, and minimises the impact of subsequent changes in assumptions or experience variances. This results in minor financial impacts in 2023 and significantly reduces the sensitivity of profit and loss and shareholder equity.

IFRS17 does introduce a number of new disclosure requirements, which are provided in note 20.

2. Revenue

(i) Disaggregation of revenue

An analysis of the Company's revenue is as follows:

	2023 £'000	2022 £'000
Investment consulting activity	307	375
Wrap platform administration services	21,788	16,057
Income from government grants	-	288
Other revenue	-	600
Treasury revenue	6,184	300
	28,279	17,620

Turnover arises entirely in the UK.

Timing of transfer of goods or services:

	2023 £'000	2022 £'000
Products and services transferred at a point in time	3,745	4,061
Products and services transferred over time	24,534	13,559
	28,279	17,620

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Notes	31 December 2023 £'000	31 December 2022 £'000
Receivables	10	492	228
Contract liabilities		433	-

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £nil.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

2023	Contract liabilities £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	-
Increases due to cash received, excluding amounts recognised as revenue during the period	433
	433

All of the Company's contracts have an expected duration of one year or less and the Company therefore applies the practical expedients in IFRS 15.63 and 15.121 and does not adjust the promised amount of consideration for the effects of a significant financing component or disclose information about its remaining performance obligation.

3. Operating loss

Operating loss of the Company has been arrived at after charging:

	2023 £'000	2022 £'000
Staff costs (see note 5)	8,555	6,141
Net foreign exchange losses	568	248

4. Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditor		
Audit of these financial statements	320	225
Audit-related assurance services	701	620
	1,021	845

5. Staff costs

The average monthly number of employees (including executive Directors) employed by the Company was:

	2023 No.	2022 No.
Management	8	8
Non-management	179	126
	187	134

Aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	6,858	4,879
Social security costs	723	522
Other pension costs	899	271
Share based compensation costs	75	469
	8,555	6,141

With effect from 1 May 2023 the Company's staff were transferred to another Lloyds Banking Group entity therefore the above employee numbers relate to the period to 30 April 2023. The Company had no direct employees after this date. Aggregate remuneration reflects the full year cost and includes amounts recharged from another Lloyds Banking Group entity from 1 May 2023.

6. Directors' emoluments

The Directors' aggregate emoluments in respect of qualifying services were:

	2023 £'000	2022 £'000
Salaries and fees	-	379
Pension contributions	-	11
Benefits	-	2
	-	392

Emoluments of highest paid Director:

	2023 £'000	2022 £'000
Salaries and fees	-	288
Pension contributions	-	5
Benefits	-	1
	-	420

The number of Directors that accrued benefits under Group pension schemes was 2 (2022: 2).

The total amount paid to Directors of the Company during the year was £1,085k (2022: £1,852k). This expense has been allocated across companies within the Group where there are common directorships. The total emoluments of the highest paid Director of the Company was £432k (2022: £468k).

7. Net investment expense

	2023 £'000	2022 £'000
Interest on bank deposits	-	4
Interest payable and similar charges on bank deposits	(1)	(120)
	(1)	(116)

8. Taxation

a) Analysis of tax credit for the year

	2023 £'000	2022 £'000
UK corporation tax		
- Current tax on taxable profit/loss for the year	(161)	457
- Adjustments in respect of prior years	2	-
Current tax (expense)/credit	(159)	457
UK deferred tax		
- Origination and reversal of timing differences	(92)	45
- Adjustments in respect of prior years	378	(45)
- Impact of deferred tax rate change	(6)	14
Deferred tax credit	280	14
Tax credit	121	471

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

b) Factors affecting the tax credit for the year

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

	2023 £'000	2022 £'000
Profit/(loss) before tax:	975	(3,116)
Tax (expense)/credit thereon at UK corporation tax rate of 23.5% (2022: 19%)	(229)	592
Factors affecting credit/expense:		
- Disallowed items	(24)	(90)
- Adjustments in respect of prior years	380	(45)
- Effect of change in tax rate and related impacts	(6)	14
Tax credit on profit/loss on ordinary activities	121	471
Effective rate	12.41%	15.12%

9. Deferred tax assets

	2023 £'000	2022 £'000
Brought forward	1,840	1,913
Credit/(expense) for the year	280	(73)
Balance at 31 December	2,120	1,840

The deferred tax asset is made up as follows:

	2023 £'000	2022 £'000
Pensions and other post-retirement benefits	80	7
Other temporary differences	2,040	1,833
Total deferred tax asset	2,120	1,840

Finance Act 2021, which received Royal Assent on 10 June 2021, increased the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

At the balance sheet date, a deferred tax asset of £2,120k has been recognised (2022: £1,840k) based on the expectation that the company will be able to benefit from group relief with connected companies.

10. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	492	228
Other debtors	11,142	2,501
Prepayments	365	184
Amounts owed from Group Companies	-	257
	11,999	3,170

Of the above total, £nil (2022: £nil) is expected to be settled more than one year after the reporting date. No interest is charged on trade and other receivables. Amounts owed from Group Companies are repayable on demand.

An allowance for non-recoverability of trade receivables and other debtors has been made where, in the opinion of the Directors, balances are not recoverable at their book value. Any balances where it is felt that recovery of the debt is uncertain are provided against in full as per the Group policy. Trade receivables and other debtors are stated net of related allowances for non-recoverable debts.

Trade receivables and other debtors are non-interest bearing and are generally due on receipt of invoice or initial recognition of the debtor. Trade receivables that are neither past due nor impaired are considered by the Directors to be credit worthy on the basis that they have been subject to the Company credit check procedures.

As at 31 December 2023 trade receivables and other debtors of £962k were past due (2022: £219k) but not impaired for the Company. The ageing analysis of these receivables is as follows:

	2023 £'000	2022 £'000
Up to 3 months past due	821	186
3 to 6 months past due	43	13
Over 6 months past due	98	20
	962	219

Expected credit loss assessment

The Company uses an allowance matrix to measure the ECLs of trade receivables and other debtors due from individual customers, which comprise a large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and other debtors as at 31 December 2023.

31 December 2023	Weighted-average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit-impaired
< 9 months past due	5.28%	1,022	(54)	No
9 – 12 months past due	57.14%	7	(4)	No
> 12 months past due	100.00%	99	(99)	Yes
		1,128	(157)	

The following table provides information about the exposure to credit risk and ECLs for trade receivables and other debtors as at 31 December 2022.

31 December 2022	Weighted-average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit-impaired
< 9 months past due	0.00%	221	-	No
9 – 12 months past due	53.33%	15	(8)	No
> 12 months past due	100.00%	50	(50)	Yes
		286	(58)	

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect current economic conditions and the Company's view of economic conditions over the expected lives of the receivables.

The majority of the Company's customers are individuals or counterparties not issued ratings by credit ratings agencies, therefore customer credit ratings have not been disclosed.

The movement in the provision for impairment of receivables was as follows:

	2023 £'000	2022 £'000
At 1 January	58	14
Write-offs in the year	(1)	-
Increase for the year	100	44
At 31 December	157	58

11. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	22,666	12,203

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counterparties are large, established UK banks.

12. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	331	427
Other payables	126	45
Accruals	2,850	1,655
Deferred income	433	-
Other tax and social security	(62)	68
Amounts owed to Group Companies	4,924	3,588
	8,602	5,783

Of the above total, £nil (2022: £nil) is expected to be settled more than one year after the reporting date.

No interest is charged on trade and other payables. Amounts owed to Group Companies are repayable on demand.

13. Share capital

	2023 £'000	2022 £'000
Issued and fully paid:		
46,855,000 (2022: 31,355,000) voting ordinary 'A' shares of £1 each	46,855	31,355
	46,855	31,355

During the year, the Company issued 15,500,000 (2022: 2,500,000) ordinary shares to the parent undertaking, Embark Group Limited, for a total consideration of £15,500,000 (2022: £2,500,000).

14. Notes to the Statement of Cash Flows

	2023 £'000	2022 £'000
Operating profit/(loss)	975	(3,000)
Adjustments for:		
Movement in provisions	99	(106)
Foreign exchange gains/(losses)	568	(178)
Adjustments for share-based payments scheme	-	469
Operating cash flows before movements in working capital	1,642	(2,815)
(Increase)/Decrease in receivables	(8,929)	1,450
Increase in payables	2,819	3,566
Taxation	-	87
Cash (used in)/from operations	(4,468)	2,288
Net cash (used in)/from operating activities	(4,468)	2,288

15. Retirement benefit scheme

The Company operates a defined contribution pension scheme which is open to all staff.

An amount of £899k (2022: £271k) was recognised as an expense for defined contribution plans. The amount is included in staff costs in the Statement of Comprehensive Income.

16. Share-based compensation

The profit of the Company is stated after charging an amount of £75k (2022: £469k) in respect of services received by the Company which have been settled by way of equity-settled share-based payment arrangements.

All staff providing services to the Company are employed by a fellow subsidiary of the ultimate parent undertaking, Lloyds Bank Group Plc, in whose shares settlement is made. The amount charged is recharged on a proportionate basis from the employing entity. Details of the share-based payment schemes within the Group are included on an aggregated basis in the Lloyds Banking Group Plc consolidated financial statements.

17. Financial risk management

The Company's financial instruments primarily comprise cash and cash equivalents, trade payables and trade receivables. All of these arise as a result of the Company's normal operations. The Company does not enter into transactions for speculative purposes and there are no instruments held for trading.

The Company's operations expose it to a variety of financial risks that include the effects of the changes in credit risk, liquidity risk, market risk and capital risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company through proactive oversight and monitoring of key financial risks.

The Directors believe the main financial risks arising from the Company's financial instruments are credit risk, liquidity risk, market risk and capital risk. These are further discussed below;

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's recoverability of fees billed to customers and counterparties.

The Chief Financial Officer is responsible for managing the Company's credit risks through the following:

- Limiting the amount of exposure to any one party;
- Only dealing with creditworthy counterparties;
- Embedding suitable processes to recover debt when it becomes overdue; and
- Ensuring a suitable provision for bad and doubtful debt is maintained.

A summary of the current position on Company receivables is included in note 10.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. The maximum credit exposure to credit risk at the reporting date was:

	2023 £'000	2022 £'000
Cash and cash equivalents	22,666	12,203
Trade & other receivables	11,999	3,170
	34,665	15,373

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income. The objective of the Company's market risk management strategy is to manage and control the market risk exposures within acceptable parameters to ensure the Company's solvency while optimising the return.

The Company is exposed to interest rate risk as a result of positive holding of corporate cash balances which earn interest at a variable rate.

The Company has interest bearing assets and liabilities on its Statement of Financial Position. These assets include cash and borrowings and loans which earn or charge interest at a variable rate.

Given the size of the Company, there is no requirement for a separate treasury department; therefore, the finance department review the level of cash balances within the business on a daily basis and ensure the utilisation of its cash balances is optimised.

The main market risk of the Company is interest rate risk. If during the year interest rates had been 20% higher or lower with all other variables held constant, the Company's income statement would be as shown in the table below:

	-20% £'000	Treasury revenue £'000	+20% £'000
Adjusted treasury revenue	4,947	6,184	7,421

17. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's Board of Directors sets the Company's risk appetite and policy for managing liquidity risk. The Finance function manages the Company's liquidity position on a day-to-day basis under the oversight of the Chief Financial Officer. The Company's approach is to ensure that it can meet payments as they fall due, both in normal conditions and in the case of a severe liquidity stress, and that it can survive a severe liquidity stress event and continue as a going concern. The key elements of the Company's liquidity strategy are as follows:

- Building a business that is cash generative;
- Maintaining at all times a stock of liquid assets that are of sufficient quality and quantity so as to be able to withstand the Company's liquidity stress scenarios;
- Monitoring liquidity risk exposures on an ongoing basis under a variety of market-wide and idiosyncratic liquidity stress scenarios; and
- Maintaining a diversified funding base.

The following table shows the contractual maturities of the Company's financial liabilities, all of which are measured at amortised cost:

	At 31 December 2023		At 31 December 2022	
	Trade payables £'000	**Other Payables £'000**	**Trade payables £'000**	**Other Payables £'000**
< 6 months	331	2,850	427	1,655
Carrying value of liabilities	331	2,850	427	1,655

Capital risk management (unaudited)

Capital is held by the Company to protect its customers, cover its inherent risks, provide a cushion for stress events and to support its business strategy. In assessing the adequacy of its capital resources, the Company considers its risk appetite, the material risks to which it is exposed, and the appropriate strategies required to manage those risks.

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, continuity of service to customers and maintain an optimal capital structure to reduce the cost of capital.

The Company defines capital as being share capital plus reserves. The Company is subject to externally imposed capital requirements from the Financial Conduct Authority. These are reported monthly to the Board. The Company has complied with all the relevant rules and requirements throughout the year.

The Company prepares regular reports on the current and forecasted levels of capital, as well as the results of stress scenarios, to the Board and executive leadership team (Chaired by the Chief Executive Officer). The key assumptions and risk drivers used to create the stress tests are regularly monitored and reported.

The table below sets out the regulatory capital requirements and the required capital held at 31 December in each year.

	2023 £'000	**2022 £'000**
Regulatory capital held	24,707	9,787
Regulatory capital requirement	18,703	8,980

18. Related party transactions

During the year the following related party transactions were entered into with other Group subsidiaries:

With effect from 1 May 2023 the Company's staff were transferred to another Lloyds Banking Group entity. Aggregate remuneration recharged to the Company from this date was as follows:

	2023 £'000	2022 £'000
Wages and salaries	4,655	-
Social security costs	496	-
Other pension costs	782	-
Share based compensation costs	75	-
	6,008	-

The average headcount recharged for the period from 1 May 2023 was 201 (2022: nil).

The Company has been charged by its fellow subsidiary, Embark Corporate Services Limited, £5,641k (2022: £1,589) for finance, marketing, facilities, HR, compliance & legal and senior management costs and £4,999k (2022: £5,826k) for the use of pension administration software owned by Embark Corporate Services Limited. At the year-end there was a balance owing to Embark Corporate Services Limited of £4,851k (2022: £378k).

The Company has been charged by its fellow subsidiary, Embark Investments Limited, £7k (2022: £8k) for investment due diligence services, £0k (2022: £18k) for platform services in respect of fund management and £101k (2022: £76k) for investment governance services. At the year-end there was a balance owing to Embark Investments Limited of £11k (2022: Owing from EIL £25k).

The Company has been charged by its parent, Embark Group Limited, £0k (2022: £302k) for executive management costs. At the year-end there was a balance owing to Embark Group Limited of £50k (2022: £3,210k).

The Company charged its fellow subsidiary, Sterling ISA Managers Limited, £307k (2022: £375) for advance platform services in respect of fund management. At the year-end there was a balance owing from Sterling ISA Managers Limited of £12k (2022: £80k).

In February 2023, the return of contribution on death benefit provided on certain accounts on the CUTAS book was transferred from Sterling ISA Managers Limited for consideration of £nil. See note 20 for further details.

In October 2023, the integration of the advisers and customers from Sterling ISA Managers Limited concluded with the transfer of the Embark Advance portfolio of clients from Sterling ISA Managers Limited for consideration of £nil.

19. Parent undertaking and controlling party

The Company's immediate parent undertaking is Embark Group Limited, a company incorporated in the United Kingdom. The Registered Office Address of Embark Group Limited is 100 Cannon Street, London, England, EC4N 6EU.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the only group to consolidate these financial statements. Once approved, copies of the consolidated Annual Report and Accounts of Lloyds Banking Group may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

20. Insurance contract liabilities and reinsurance assets

Insurance liabilities arise from a return of contribution on death benefit provided on accounts opened prior to 29 April 2011 in the legacy CUTAS book of business. The insurance contract liability represents the estimated liability for any shortfall in the value of units on the additional benefit provided by the Company to investors in the event of death of an investor, where the Company will pay the greater of the fund value and the investments made, less any distributions and withdrawals taken. The obligations in respect of the return of contribution on death benefit were transferred to the Company from Sterling ISA Managers Limited ("SIML") on 17 February 2023.

The methodology for calculating the insurance liability and reinsurance contract utilises the Black-Scholes model for all in scope contracts by valuing the guarantee cost for each policy as being equivalent to the cost of a European put option. The methodology was adopted from SIML when the business transferred, and has been adapted to ensure it is appropriate for IFRS17. The key IFRS17 related changes made to the methodology and the model are:

- Allowance for reinsurer default risk has been included in the present value of future reinsurance recoveries, as required by IFRS17
- A risk adjustment for non-financial risk. This reflects the additional liability and reinsurance recovery amounts should the lapse and mortality experience be worse than anticipated.

Summary of insurance contract liabilities and reinsurance assets

	At 31 December 2023
	£'000
Insurance Contract Liabilities	
- Present value of future cash flows	(1,324)
- Risk Adjustment	(291)
- Contractual Service Margin	-
	(1,615)
Reinsurance Contract Assets	
- Present value of future cash flows	1,315
- Risk Adjustment	291
- Contractual Service Margin	10
	1,616
Net Assets	**1**

Impact of contracts recognised in the year

	At 17 February 2023		
	Profitable contracts issued	Onerous contracts issued	Total
	£'000	£'000	£'000
Insurance contracts			
Insurance acquisition cash flows	-	-	-
Claims and other directly attributable expenses	-	-	-
Estimates of the present value of future cash outflows	-	(1,714)	(1,714)
Estimates of the present value of future cash inflows	-	-	-
Risk adjustment for non-financial risk	-	(394)	(394)
Contractual service margin	-	-	-
Losses recognised on initial recognition	-	(2,108)	(2,108)

	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total
	£'000	£'000	£'000
Reinsurance contracts held			
Estimates of the present value of future cash outflows	-	-	-
Estimates of the present value of future cash inflows	-	1,702	1,702
Risk adjustment for non-financial risk	-	394	394
Income recognised on initial recognition	-	(2,108)	(2,108)
Contractual service margin	-	(12)	(12)

20. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of insurance balances for remaining coverage

Total	Liabilities for remaining coverage		Liability for incurred claims	Total
	Excluding loss component	Loss component		
	£'000	£'000	£'000	£'000
At 1 January 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	-	-	-	-
	-	-	-	-
Insurance revenue				
Contracts under the modified retrospective transition approach	-	-	-	-
Contracts under the fair value transition approach	-	-	-	-
Other contracts	-	-	-	-
	-	-	-	-
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	105	(49)	56
Adjustments to liabilities for incurred claims	-	-	-	-
Losses and reversal of losses on onerous contracts	-	(1,744)	-	(1,744)
Amortisation of insurance acquisition cash flows	-	-	-	-
	-	(1,639)	(49)	(1,688)
				-
Insurance service result	-	(1,639)	(49)	(1,688)
Finance income from insurance contracts issued	-	24	-	24
Exchange differences	-	-	-	-
Total change in profit or loss	-	(1,615)	(49)	(1,664)
				-
Investment components	-	-	-	-
				-
Cash flows				
Premiums received	-	-	-	-
Claims and other insurance service expenses paid	-	-	49	49
Insurance acquisition cash flows	-	-	-	-
	-	-	49	49
At 31 December 2023				-
Insurance contract assets	-	-	-	-
Insurance contract liabilities	-	(1,615)	-	(1,615)
Net asset (liability)	-	(1,615)	-	(1,615)

20. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of the measurement components of insurance contract balances

Total	**2023**			
	Present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual Service Margin**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	-	-	-	-
	-	-	-	-
Relating to current services			-	-
CSM recognised for services provided	-	-	-	-
Changes in risk adjustment for non-financial risk for risk expired	-	19	-	19
Experience adjustments	37	-	-	37
Relating to future services				
Contracts initially recognised in the year	(1,714)	(394)	-	(2,108)
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	280	84	-	364
	(1,397)	(291)	-	(1,688)
Relating to past services			-	-
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	(1,397)	(291)	-	(1,688)
Finance income from insurance contracts issued				
Relating to change in financial assumptions	99	17	-	116
Relating to unwind of discount rate	(75)	(17)	-	(92)
Exchange differences	-	-	-	-
Total change in profit or loss	(1,373)	(291)	-	(1,664)
Investment components	-	-	-	-
Cash flows				
Premiums received including investment components	-	-	-	-
Claims and other insurance service expenses paid	49	-	-	49
Insurance acquisition cash flows	-	-	-	-
	49			49
At 31 December 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	(1,324)	(291)	-	(1,615)
Net asset (liability)	(1,324)	(291)	-	(1,615)

20. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of reinsurance balances for remaining coverage

	2023			
	Asset for remaining coverage			
	Excluding loss-recovery component	Loss-recovery component	Asset for Incurred claims	Total
	£'000	£'000	£'000	£'000
At 1 January				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	-	-	-	-
Allocation of reinsurance premiums paid				
All contracts	-	-	-	-
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	-	(106)	49	(57)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	-	1,745	-	1,745
Adjustments to assets for incurred claims	-	-	-	-
	-	1,639	49	1,688
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net income from reinsurance contracts held	-	1,639	49	1,688
Finance expense from reinsurance contracts held	-	(23)		(23)
Exchange differences	-	-	-	-
Total change in profit or loss	-	1,616	49	1,665
Investment components	-	-	-	-
Cash flows				
Premiums paid	-	-	-	-
Amounts received	-	-	(49)	(49)
	-	-	(49)	(49)
Transfer to other items in the balance sheet	-	-	-	-
At 31 December				
Reinsurance contract assets	-	1,616	-	1,616
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	-	1,616	-	1,616

20. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of the measurement components of reinsurance contract balances

Total	2023			
	Present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2023				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	-	-	-	-
	-	-	-	-
Relating to current services				
Contractual service margin recognised for services received	-	-	0	0
Changes in risk adjustment for non-financial risk for risk expired	-	(19)	-	(19)
Experience adjustments	(36)	-	-	(36)
				-
Relating to future services				
Contracts initially recognised in the year	1,702	394	12	2,108
Changes in estimates that adjust the contractual service margin	(5)	(19)	(4)	(28)
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	(275)	(66)	(1)	(342)
Relating to past services				
Changes to assets for incurred claims	-	-	-	-
Effect of changes in non-performance risk of reinsurers	2	-	3	5
Net income from reinsurance contracts held	1,388	290	10	1,688
Net finance expense from reinsurance contracts held				
Relating to change in financial assumptions	(98)	(18)	-	(116)
Relating to unwind of discount rate	74	17	0	91
Exchange differences	-	-	-	-
Total change in profit or loss	1,364	291	10	1,665
Investment components				-
	-	-	-	-
Cash flows				
Premiums paid				
Amounts received	(49)	-	-	(49)
	(49)	-	-	(49)
At 31 December 2023				
Reinsurance contract assets	1,315	291	10	1,616
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	1,315	291	10	1,616

20. Insurance contract liabilities and reinsurance assets (continued)

Contractual Service Margin

The table below outlines the expected release of the CSM at each time period

Group as at 31 December 2023	Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	Over 10 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance contract liabilities								
Total	-	-	-	-	-	-	-	-
Reinsurance contracts								
Total	**(1)**	**(1)**	**(0)**	**(0)**	**(0)**	**(2)**	**(5)**	**(10)**

Sensitivity Analysis

The following table demonstrates the effect of changes in key assumptions on profit before tax assuming that the other assumptions remain unchanged. It is seen that, due to the reinsurance contract held, there is negligible PBT impact to changes in these

		PBT change £'000		**Equity change £'000**	
Variable	**Change in variable**	Gross of Reinsurance	Net of Reinsurance	Gross of Reinsurance	Net of Reinsurance
Mortality	10% increase	(50)	0	(50)	0
	10% decrease	56	2	56	2
Lapse	10% increase	208	(0)	208	(0)
	10% decrease	(259)	3	(259)	3
Interest Rates	1% increase	493	3	493	3
	1% decrease	(758)	(4)	(758)	(4)
Equity Volatility	10% increase	(267)	(2)	(267)	(2)
	10% decrease	245	1	245	1

Assumptions

The measurement components of liabilities of the Company are determined on the basis of recognised actuarial methods. The methods used involve estimating future policy cash flows over the duration of the in-force book of policies, and discounting these cash flows back to the valuation date allowing for probabilities of occurrence.

Assumptions are made in respect of all material factors affecting future cash flows, including future interest rates, persistency, mortality and equity volatility.

Generally, assumptions used to value the liabilities are on a realistic best estimate basis. A Risk Adjustment is held reflecting the compensation the entity requires for bearing the uncertainty within the future cashflows, due to non-financial risk. The assumptions to which the liabilities are most sensitive are the interest rates used to discount the cash flows and the persistency assumptions.

The key assumptions used in the measurement of the non-participating fund liabilities are:

Interest rates

Discount rates used to value the liabilities are set with reference to directly observable market data on risk-free interest rates:

	1 year	5 years	10 years	20 years	30 years
31 December 2023	4.73%	3.35%	3.28%	3.43%	3.35%
17 February 2023	4.37%	3.75%	3.50%	3.44%	3.31%

Mortality

The mortality assumptions are set with reference to recent actual experience on similar savings and investments products sold within the wider LBG, supplemented by industry information.

20. Insurance contract liabilities and reinsurance assets (continued)

Persistency

Lapse assumptions have been set with refence to both similar LBG products and 2023 experience. This is because 2023 persistency experience was 3% higher (i.e. more lapses) than representative LBG products. A higher persistency rate would reduce the provision and rather than basing this assumption on one year's worth of data, the assumption used is the LBG assumption plus 50% of the additional 2023 experience (so a 1.5% adjustment to the LBG assumption in total). This recognises the 2023 experience in part, as well as noting that there may be some short term volatility in actual experience versus the long term rate used to value this liability.

Assumption at 17 February 2023	2023 Experience	31 December 2023 Assumption
9.2%	12.7%	10.9%

The lapse basis will be reviewed each year as more data becomes available, and the assumption updated to reflect the best-estimate based on this data.

Equity volatility

Equity volatility assumptions are derived directly from observable market data.

Risk Adjustment

The Risk Adjustment for non-financial risk represents the compensation an entity requires for bearing the uncertainty inherent within the fulfilment cashflows. The Risk Adjustment is calculated by applying explicit margins to the best estimate assumptions used to calculated the realistic liabilities.

Lapse and mortality risk are the only two non-financial risks relevant to the Company. Explicit margins for each risk are calculated by evaluating statistical distributions for each risk, supplied by Scottish Widows Limited ("SWL") demographic and assumptions subject matter experts. These distributions are specific to savings and investments products and are used in the calculation of SWL's own risk adjustment and Solvency II capital requirements.

Under the Group's explicit margins approach, a confidence level is arrived at by following the wider Scottish Widows Group approach, targeting a 90 per cent one year value-at-risk. The confidence level chosen reflects Lloyds Banking Group's required compensation for bearing the uncertainty within insurance business cashflows arising from non-financial risk.

IFRS17 requires that the confidence level disclosed for the risk adjustment is that which represents the risk level over the lifetime of the contracts. Given that the group target is equivalent to a 90 per cent value-at risk over one year, a transformation using recognised statistical approximations (a "mean sum of squares" approach), assuming that the spread of losses during a year are normally distributed and each year's risk distributions are independent has been utilised. This results in a lifetime value-at-risk of 70 per cent.

Liquidity Risk

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

Liquidity risk for the Company is managed in accordance with MIFIDPRU regulations and in line with the Lloyds Banking Group Funding and Liquidity Policy. The Company analyses the impact of stress scenarios on both the liquidity held and the size and timing of commitments due and ensures that it holds enough liquidity to meet obligations in these scenarios.

The liquidity risk arising from the insurance contract liabilities is small, given that reinsurance recoveries are received on a quarterly basis. Aggregate claim amounts have also historically been small, relative to the liquid assets held by the Company.

The table below shows estimates of the present value of future cashflows over time for the insurance contract liabilities and reinsurance contract held:

Credit Risk

Credit risk exists on the reinsurance contract held with ZAL. An assessment of its creditworthiness and probability of recovery has been completed by following Article 199 of the Solvency II directive, as ZAL is a solvency II firm. At YE2022, ZAL had a solvency ratio of 168% and a probability of default of 0.01%. This amount is held as part of the present value of future cashflows of the reinsurance asset, reducing the present value of the recovery amount.

20. Insurance contract liabilities and reinsurance assets (continued)

	At 31 December 2023		At 31 December 2022	
	Insurance Contract Liabilities	Reinsurance Contracts Held	Insurance Contract Liabilities	Reinsurance Contracts Held
	£'000	£'000	£'000	£'000
Total Payable	**(1,324)**	**1,315**	**-**	**-**
Less than 1 year	(68)	68	-	-
1 to 2 years	(72)	72	-	-
2 to 3 years	(77)	77	-	-
3 to 4 years	(82)	82	-	-
4 to 5 years	(89)	89	-	-
Over 5 years	(937)	927	-	-

21. Subsequent events

On 23 April 2024, the Directors approved the issue of 4,000,000 ordinary shares to the parent undertaking, Embark Group Limited, for a total consideration of £4,000,000. The consideration has not yet been paid at the date of approval of these financial statements.