Registered No. 02395416

STERLING ISA MANAGERS LIMITED

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

STERING ISA MANAGERS LIMITED

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STERING ISA MANAGERS LIMITED

Company Information

Directors	J T Anderson P McMahon J Leiper S C Guild D Mackechnie D M H Skinner
Company Secretary	A Jordan
Registered office	100 Cannon Street London England EC4N 6EU
Company registration	02395416
Advisors	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ

STERING ISA MANAGERS LIMITED

Strategic Report

Principal activities

Sterling ISA Managers Limited (the “Company”) provided a service-led retirement-focused investment administration platform to financial advisers. The Company acted as a platform operator and as a manager for Individual Savings Accounts (“ISAs”), Investment Accounts and Self Invested Personal Pensions (“SIPPs”) in the UK.

Following the transfer of its business to Embark Investment Services Limited (“EISL”), a fellow subsidiary which operates the latest version of the platform technology software, during the course of the year the process to conduct an orderly winddown of the Company is now underway.

The Company is authorised and regulated by the Financial Conduct Authority (“FCA”) and has the necessary regulatory permissions to undertake its activities. The Company is a limited Company domiciled and incorporated in the UK. The registered office is 100 Cannon Street, London, EC4N 6EU.

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 indicators are client numbers and assets under administration (“AuA”), which are also presented and discussed below.

The loss before tax for the year ending 31 December 2023 was £1,616k (2022: £1,858k), with a decrease in revenue to £28,621k (2022: £35,332k).

Business review

In October 2023, the integration of the advisers and customers to EISL concluded with the transfer of the Embark Advance portfolio of clients, resulting in £14.1bn of AuA and 120k customers transferring to EISL.

Since the migration the Company has entered an orderly winddown process to close out its remaining contracts and satisfy its obligations before the final strike off of the Company.

Future developments

The Company is undergoing an orderly winddown process which is expected to continue throughout 2024.

STERING ISA MANAGERS LIMITED

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.

Strategic Report (Continued)

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

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.

<u>Employees</u>

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 Embark Group Limited's ("EGL") Remuneration Committee following employee harmonisation and EGL becoming a recipient of LBG's full people strategy and plan.

<u>Shareholders</u>

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.

<u>Regulators</u>

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.

<u>Suppliers</u>

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 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.

Following the migration of its remaining clients and assets to Embark Investment Services Limited in October 2023, the Company has entered an orderly winddown process. The Group risks below remain significant to the Company through the winddown process.

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.

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.

Strategic Report (Continued)

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.

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.

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.

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:

Scott Guild

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

STERLING ISA MANAGERS LIMITED

Directors' Report

The Directors submit their report together with the audited financial statements 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 20.

Results for the year and dividends

The loss after taxation for the year ended 31 December 2023 was £1,238k (2022: £1,635k). Interim dividends on the ordinary share capital of the company totalling £8,000k were declared and paid during the year (2022: £nil).

The results of the Company are included in the financial statements 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 T 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 R J Bungey	(Resigned 31 May 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)

A Basis Other than Going Concern

During the year ended 31st December 2023, the Company's principal activity was to provide a service-led retirement-focused investment administration platform to financial advisers, and act as a platform operator. Following the migration of the businesses' trade and assets to EISL, the Company is now in an orderly wind down process. As the Directors intend to liquidate the Company following the settlement of the remaining net assets, they have prepared the financial statements on a basis other than that of a going concern. The effect of this is explained in the accounting policies, note 1.

Political Donations

Political donations during the year were £nil (2020: £nil).

Subsequent events

On 23 April 2024, the Board of the Company proposed and paid a dividend of £8m to its parent Company, Embark Group Limited.

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:

Scott Guild

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STERLING ISA MANAGERS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sterling ISA Managers 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
- 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 23.

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

Basis for opinion

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

We are independent of the 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.

Emphasis of matter – Financial statements prepared on a basis other than going concern

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 AUDITORS' REPORT TO THE MEMBERS OF STERLING ISA MANAGERS 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 Market 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 relation to the fee applied in calculating the retail fund-based charge. 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 AUDITORS' REPORT TO THE MEMBERS OF STERLING ISA MANAGERS 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.

T. Noble

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

STERLING ISA MANAGERS LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 £'000	Restated* 2022 £'000
Revenue	2	28,621	35,332
Administrative expenses		(30,212)	(37,141)
Insurance service expenses	15	2,661	(627)
Net (expenses)/income from reinsurance contracts held	15	(2,685)	625
Operating loss		(1,615)	(1,811)
Net finance (expenses)/income from insurance contracts	15	(124)	3,970
Net finance income/(expenses) from reinsurance contracts	15	123	(3,943)
Net investment expense	7	-	(74)
Loss before tax		(1,616)	(1,858)
Taxation	8	378	223
Total comprehensive loss for the year		(1,238)	(1,635)

* The 2022 comparative figures have been restated for the impact of IFRS 17. See note 15 for further details.

All results are derived from discontinued operations.

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

The notes on pages 19 to 41 form an integral part of the financial statements.

STERLING ISA MANAGERS LIMITED

Statement of Financial Position
At 31 December 2023

	Notes	31 December 2023 £'000	Restated* 31 December 2022 £'000	Restated* 1 January 2022 £'000
Current assets				
Trade and other receivables	11	9,580	9,584	15,059
Reinsurance assets	15	-	2,562	5,896
Current tax assets	8	604	223	-
Cash and cash equivalents	12	10,104	30,999	29,316
		20,288	43,368	50,271
Total assets		20,288	43,368	50,271
Current liabilities				
Trade and other payables	13	(2,783)	(10,389)	(10,668)
Provisions	14	-	(3,699)	(5,933)
Insurance liabilities	15	-	(2,537)	(5,896)
Total liabilities		(2,783)	(16,625)	(22,497)
Net current assets		17,505	26,743	27,774
Net assets		17,505	26,743	27,774
Equity				
Capital and Reserves				
Share capital	16	7,900	25,900	25,900
Retained earnings		9,605	843	1,066
Capital contribution reserve		-	-	808
Total equity		17,505	26,743	27,774

Registered No. 02395416

* The 2022 comparative figures have been restated for the impact of IFRS 17. See note 15 for further details.

The notes on pages 19 to 41 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:

Scott Guild

S Guild
Director

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

	Share capital £'000	Retained earnings £'000	Capital contribution reserve £'000	Total equity £'000
Balance at 1 January 2022 as previously reported	25,900	1,066	808	27,774
Adjustment on adoption of IFRS 17	-	-	-	-
Balance at 1 January 2022 (restated*)	25,900	1,066	808	27,774
Loss for the year (restated*)	-	(1,635)	-	(1,635)
Equity-settled share-based payment transactions	-	1,412	(808)	604
Balance at 31 December 2022 (restated*)	25,900	843	-	26,743
Loss for the year	-	(1,238)	-	(1,238)
Reduction of share capital	(18,000)	18,000	-	-
Dividend payment	-	(8,000)	-	(8,000)
Balance at 31 December 2023	7,900	9,605	-	17,505

* The 2022 comparative figures have been restated for the impact of IFRS 17. See note 15 for further details.

The notes on the following pages 19 to 41 form an integral part of the financial statements.

STERLING ISA MANAGERS LIMITED

Statement of Cash Flows
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Net cash (used in)/from operating activities	17	(12,895)	1,757
Investing activities			
Interest paid		-	(74)
Net cash from/(used in) investing activities		-	(74)
Financing activities			
Dividends paid		(8,000)	-
Net cash from financing activities		(8,000)	-
Net increase/ (decrease) in cash and cash equivalents		(20,895)	1,683
Cash and cash equivalents at beginning of year		30,999	29,316
Cash and cash equivalents at end of year	12	10,104	30,999

The notes on the following pages 19 to 41 form an integral part of the financial statements.

STERLING ISA MANAGERS LIMITED
Notes to the financial statements

1. Accounting policies

Sterling ISA Managers Limited (the 'Company') is a company limited by shares and incorporated and domiciled in the UK. The registered number is 02395416 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.

Other Than Going Concern

These financial statements have been prepared on a basis other than going concern. As detailed in the Directors' Report, the business and staff have transferred to EISL. Accordingly, it is the Directors' intention to wind down the business following that transfer. Therefore, the Directors do not feel it is appropriate to adopt the going concern basis.

The valuation of the assets & liabilities shown on the Statement of Financial Position have been considered and their carrying value is appropriate. There are no changes required to the preparation of the financial statements as a result of adopting a basis other than going concern, however given the uncertainty of the recoverability of the deferred tax asset due to the migration of assets to EISL, the deferred tax asset has not been recognised.

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 payables. 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.

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Statement of Financial Position date and the reported revenue and expenses during the reporting year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

Legal actions and regulatory matters

In the course of its business the Company is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers (including their appointed representatives), investors or other third parties, as well as legal and regulatory reviews, enquiries and examinations, requests for information, audits, challenges, investigations and enforcement actions, which could relate to a number of issues. This includes matters in relation to compliance with applicable laws and regulations, such as those relating to consumer protection, investment advice, business conduct, systems and controls, environmental, competition/anti-trust, tax, anti-bribery, anti-money laundering and sanctions, some of which may be beyond the Company's control, both in the UK and overseas. Where material, such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Company incurring a liability. The Company does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

Operating loss

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

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 where applicable.

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:

Legacy initial charges represent a contractually agreed percentage charge on any new money paid into a customer's legacy CUTAS account. This income is deducted to cover the cost of buying funds on behalf of customers and is recognised at the point when the investment is purchased.

Legacy custodian charges represent a contractually agreed annual charge based on the total Assets under Administration for legacy CUTAS policies. The charge accrues daily and is deducted from customers' accounts quarterly in arrears. As this annual charge represents a performance obligation over time, it is recognised as income on a quarterly basis, in accordance with contractual obligations.

Legacy annual management charges represent a contractually agreed percentage charge taken to cover legacy CUTAS portfolio management costs and are capped per policy. As the annual charge represents a performance obligation over time, it is recognised as income on a quarterly basis as the service is performed and in accordance with contractual obligations.

Retail fund-based charges represent an annual tiered fund-based charge based on the total Assets under Administration, excluding any cash held in any ISA wrapper or cash account, for retail platform policies. The charge accrues daily and is deducted from the customer's policy monthly. As the annual charge represents a performance obligation over time, it is recognised as income monthly, in accordance with contractual obligations, as earned.

The retail fixed platform charge is an annual flat fixed platform charge on the retirement accounts held on the retail platform. The charge is deducted from customers quarterly in arrears. As the annual charge represents a management obligation over time, it is recognised as income on quarterly basis as the service is performed and in accordance with contractual obligations.

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.

1. Accounting policies (continued)

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.

Intangible assets

Purchased intangible assets and costs directly associated with the development of systems are capitalised as intangible assets where there is an identifiable asset controlled by the Company and will generate future economic benefits in accordance with IAS 38.

Costs to establish feasibility or to maintain existing performance are recognised as an expense.

Intangible assets are amortised in the Statement of Comprehensive Income using the following useful economic lives, using the straight-line method, on the following bases:

Core administration software (Post-acquisition)	20 months
Core administration software (Pre-acquisition)	10 years

Intangible assets are reviewed annually for impairment or more frequently if there are indications that assets might be impaired.

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) 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.

1. Accounting policies (continued)

Financial instruments (continued)

(iii) Subsequent measurement and gains and losses

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

Financial assets, including government bonds, are recognised, and measured at FVOCI using the stock exchange bid-market values. Changes in fair value are recognised in a revaluation reserve. The cumulative unrealised gains or losses in the revaluation reserve are net of cumulative deferred income taxes. The cumulative fair value gain or loss recognised in OCI is recycled from OCI to profit or loss when the related financial asset is derecognised.

Financial liabilities 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.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation because of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, considering the risks and uncertainties surrounding the obligation.

The VAT liability provision represents Management's best estimates of the future probable cost and is calculated using invoices and historic cost summaries, adjusted for movements in AUA.

Dividends

Interim dividends on the ordinary shares of the company are recognised once settled due to the ability of the directors to revoke their resolution at any time before settlement is completed; no contractual obligation is created by the declaration of the interim dividend. Final dividends on the ordinary shares of the company are recognised as a liability in the company's financial statements in the period in which the dividends are declared by the Company's directors.

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 transferred to Embark Investment Services Limited ("EISL") from the Company on 17 February 2023, however IFRS17 is applicable from 1 January 2023 and balances have been restated as at 1 January 2022 and 31 December 2022.

IFRS 17 'Insurance Contracts', which replaces IFRS 4 'Insurance Contracts' effective 1 January 2023, requires insurance contracts, including reinsurance contracts held 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 2022 and 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 15.

2. Revenue

(i) Disaggregation of revenue

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

	2023 £'000	2022 £'000
Legacy initial charge	-	46
Legacy Sterling custody charge	-	224
Legacy annual management charge	-	104
Retail fund-based charge	23,856	29,248
Retail fixed platform charge	4,344	5,230
Treasury revenue	16	428
Other revenue	405	52
	28,621	35,332

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	-	46
Products and services transferred over time	28,621	35,286
	28,621	35,332

(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	11	-	8

There were no contract liabilities in the period.

All the Company's contracts have an expected duration of one year or less and the Company therefore applies the practical expedient in IFRS 15.121 and does not disclose information about its remaining performance obligations.

3. Operating profit / (loss)

Operating profit / (loss) of the Company has been arrived at after charging:

	2023 £'000	2022 £'000
Staff costs (see note 5)	575	1,509

4. Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditor		
Audit of these financial statements	118	120
	118	120

5. Staff costs

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

	2023 No.	**2022 No.**
Management	2	2
Non-management	9	10
	11	12

Aggregate remuneration comprised:

	2023 £'000	**2022 £'000**
Wages and salaries	459	758
Social security costs	56	89
Other pension costs	57	58
Share based compensation costs	3	604
	575	1,509

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	130	276
Pension contributions	6	10
Benefits	-	2
	136	288

Emoluments of highest paid Director:

	2023 £'000	**2022 £'000**
Total emoluments (excluding pension contributions)	130	276
Pension contributions	6	10
Benefits	-	2
	136	288

The number of Directors that accrued benefits under Group pension schemes was 1 (2022: 1).

The total amount paid to Directors of the Company during the year was £1,221k (2022: £1,683k). 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 income/(expense)

	2023 £'000	**2022 £'000**
Interest on bank deposits	-	84
Interest payable and similar charges on bank deposits	-	(74)
	-	10

8. Taxation

a) Analysis of tax (expense)/credit for the year

	2023 £'000	2022 £'000
UK corporation tax		
- Current tax on taxable loss for the year	379	223
- Adjustments in respect of prior years	(1)	-
Current tax credit	378	223
Tax credit	378	223

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/(expense) for the year

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

	2023 £'000	2022 £'000
Loss before tax:	(1,616)	(1,863)
Tax credit/(expense) thereon at UK corporation tax rate of 23.5% (2022: 19%)	379	354
Factors affecting credit/expense:		
- Disallowed items	-	(112)
- Adjustments in respect of prior years	(1)	-
- Timing differences not recognised	-	(19)
Tax credit/(expense) on profit/(loss) on ordinary activities	378	223
Effective rate	23.39%	11.97%

9. Dividends

	2023		2022	
	Per share £	£'000	Per share £	£'000
Interim dividend paid	1.10	8,000	-	-

10. Deferred tax

A deferred tax asset of £2,129k (2022: £2,150k) relating to trading losses has not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions trading losses can be carried forward indefinitely and offset against future taxable profits.

11. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	-	8
Other debtors	976	9,102
Prepayments	67	475
Amounts owed from Group Companies	8,537	-
	9,580	9,585

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.

12. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	10,104	30,999

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 with a minimum 'A' credit rating.

13. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	17	473
Amounts owed to Group Companies	-	3,781
Bank loans and overdrafts	-	-
Accruals	1,373	2,156
Other tax and social security	1,392	1,442
Other payables	1	2,537
	2,783	10,389

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

14. Provisions

Provisions at the Statement of Financial Position dates consist of a VAT liability provision.

Movements on provisions:

	VAT liability provision £'000	Total Provisions £'000
At 1 January 2022	3,699	3,699
Reduction in the year	(3,699)	(3,699)
Utilisation of provision in the year	-	-
Additional provision in the year	-	-
At 31 December 2022	-	-

The VAT liability provision of £nil (2022: £3,699k), represents the liability for VAT payable arising from arrangements from one supplier. The provision encompasses a retrospective period dating back to the acquisition of the Company by Embark Group Limited on 1 May 2020 and is based upon the calculated VAT cost applied to the aggregate of all invoices paid to the supplier based on the new contract entered into by the Company on that date. Economic outflow arising from the VAT liability is dependent on supplier communication with the Company and commercial negotiation. Final confirmation of the liability of the Company was established in early 2023 and the provision has since been settled.

15. Insurance contract liabilities and reinsurance assets

Transition

IFRS 17 requires a Full Retrospective Approach, unless impracticable. For insurance contracts for which the Company cannot identify a group retrospectively, and for groups of insurance contracts for which full retrospective application is impracticable, a choice is permitted between a Modified Retrospective Approach or a Fair Value Approach. Full retrospective application implies having full and granular data on assumptions and cash flows so that the IFRS 17 fulfilment cash flows and CSM can be calculated at the initial recognition of the insurance contracts and subsequently measured under IFRS17 up to the point of transition. The modified retrospective approach is retrospective but with prescribed simplifications while the fair value approach involves a prospective comparison between the fulfilment value and fair value to determine the CSM.

The CUTAS book was transferred from ZAL to Embark Group in 2020, and subsequently transferred from the Advance by Embark ("AbE") platform the Scottish Widows ("SW") platform in January 2022. No data exists for time periods before this and as a result, a full retrospective approach is impracticable and the fair value approach is adopted.

The IFRS 17 methodology and model have been developed to account for the insurance contract liabilities and reinsurance asset in EISL, and extensive experience analysis has been performed during 2023 to ensure that the assumptions are appropriate. The fair valuation of the insurance contract liabilities and reinsurance contract assets has been derived by considering what a typical market participant would be expected to pay to take on the liabilities and to purchase the reinsurance asset. A typical market participant is taken to be another digital platform provided, likely a MiFiD investment firm, where valuation would be taken to be:

- The value of the insurance contract liabilities (reinsurance asset), plus
- The value of the risk adjustment, plus
- An allowance for the cost of holding capital to cover the risk adjustment.

The value of the liabilities at 1 January 2022 has been set by considering a best-estimate lapse and mortality basis, consistent with wider LBG assumptions, taking into account recent experience analysis performed on the business. The Risk Adjustment is calculated by applying explicit margins to each of the lapse and mortality assumptions. The explicit margins are derived from statistical risk distributions - set within the wider LBG demographic assumptions teams – by evaluating the percentage stress in a 1-in-10 year confidence level. A cost of capital is derived by discounting the expected profit release from the risk adjustment by the LBG cost of equity capital assumption, set at 10%.

Overall, the fair value of the insurance contract liabilities is lower than their fulfilment value and hence, the group is onerous. The onerous loss recognised is fully offset by the reinsurance recoveries recognised at the point of transition.

This results in a small retained earnings impact as at 1 January 2022. Therefore, the adoption of fair value is not considered a material factor which affects the reporting of the IFRS17 transition amounts.

Group	**31 December 2022**	**01 January 2022**	**31 December 2021**
	IFRS17	**IFRS17**	**IFRS4**
	£'000	**£'000**	**£'000**
Insurance Contract Liabilities			
- Present value of future cash flows	(1,684)	(4,145)	(1,438)
- Risk Adjustment	(380)	(1,306)	-
- Fair value cost of capital	(473)	(445)	-
- Contractual Service Margin	-	-	-
	(2,537)	**(5,896)**	**(1,438)**
Reinsurance Contract Assets			
- Present value of future cash flows	1,668	4,067	1,438
- Risk Adjustment	380	1,306	-
- Contractual Service Margin	514	523	-
	2,562	**5,896**	**1,438**
Net Assets	**25**	**-**	**-**

15. 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 2022				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	-	(5,896)	-	(5,896)
	-	(5,896)	-	(5,896)
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	-	90	(16)	74
Adjustments to liabilities for incurred claims	-	-	-	-
Losses and reversal of losses on onerous contracts	-	(701)	-	(701)
Amortisation of insurance acquisition cash flows	-	-	-	-
	-	(611)	(16)	(627)
				-
Insurance service result	-	(611)	(16)	(627)
Net finance income from insurance contracts	-	3,970	-	3,970
Exchange differences	-	-	-	-
Total change in profit or loss	-	3,359	(16)	3,343
Investment components	-	-	-	-
Cash flows				
Premiums received	-	-	-	-
Claims and other insurance service expenses paid	-	-	16	16
Insurance acquisition cash flows	-	-	-	-
	-	-	16	16
Transfer to other items in the balance sheet	-	-	-	-
At 31 December 2022				
Insurance contract assets	-	-	-	-
Insurance and participating investment contract liabilities	-	(2,537)	-	(2,537)
Net asset (liability)	-	(2,537)	-	(2,537)

STERLING ISA MANAGERS LIMITED
Notes to the financial statements

15. Insurance contract liabilities and reinsurance assets (continued)

<u>Reconciliation of insurance balances for remaining coverage</u>

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	-	(2,537)	-	(2,537)
	-	(2,537)	-	(2,537)
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	-	8	-	8
Adjustments to liabilities for incurred claims	-	-	-	-
Losses and reversal of losses on onerous contracts	-	2,653	-	2,653
Amortisation of insurance acquisition cash flows	-	-	-	-
	-	2,661	-	2,661
				-
Insurance service result	-	2,661	-	2,661
Net finance expenses from insurance contracts	-	(124)	-	(124)
Exchange differences	-	-	-	-
Total change in profit or loss	-	2,537	-	2,537
				-
Investment components	-	-	-	-
				-
Cash flows				
Premiums received	-	-	-	-
Claims and other insurance service expenses paid	-	-	-	-
Insurance acquisition cash flows	-	-	-	-
	-	-	-	-
Transfer to other items in the balance sheet	-	-	-	-
At 31 December 2023				
Insurance contract assets	-	-	-	-
Insurance and participating investment contract liabilities	-	-	-	-
Net asset (liability)	-	-	-	-

STERLING ISA MANAGERS LIMITED
Notes to the financial statements

15. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of the measurement components of insurance contract balances

Total	2022			
	Present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2022				
Insurance contract assets	-	-	-	-
Insurance and participating investment contract liabilities	(4,590)	(1,306)	-	(5,896)
	(4,590)	(1,306)	-	(5,896)
Relating to current services				
CSM recognised for services provided	-	-	-	-
Changes in risk adjustment for non-financial risk for risk expired	-	20	-	20
Experience adjustments	54	-	-	54
Relating to future services				
Contracts initially recognised in the year	-	-	-	-
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	(693)	(8)	-	(701)
	(639)	12	-	(627)
Relating to past services				
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	(639)	12	-	(627)
Net finance income from insurance contracts				
Relating to change in financial assumptions	3,132	924	-	4,056
Relating to unwind of discount rate	(76)	(10)	-	(86)
Exchange differences	-	-	-	-
Total change in profit or loss	2,417	926	-	3,343
Investment components	-	-	-	-
Cash flows				
Premiums received including investment components	-	-	-	-
Claims and other insurance service expenses paid	16	-	-	16
Insurance acquisition cash flows	-	-	-	-
	16	-	-	16
Transfer to other items in the balance sheet	-	-	-	-
At 31 December 2022				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	(2,157)	(380)	-	(2,537)
Net asset (liability)	(2,157)	(380)	-	(2,537)

15. 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 and participating investment contract liabilities	(2,157)	(380)	-	(2,537)
	(2,157)	(380)	-	(2,537)
Relating to current services			-	-
CSM recognised for services provided	-	-	-	-
Changes in risk adjustment for non-financial risk for risk expired	-	1	-	1
Experience adjustments	7	-	-	7
Relating to future services				
Contracts initially recognised in the year	-	-	-	-
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	2,258	395	-	2,653
	2,265	396	-	2,661
Relating to past services			-	-
Adjustments to liabilities for incurred claims	-	-	-	-
Insurance service result	2,265	396	-	2,661
Net finance expenses from insurance contracts				
Relating to change in financial assumptions	(93)	(13)	-	(106)
Relating to unwind of discount rate	(15)	(3)	-	(18)
Exchange differences	-	-	-	-
Total change in profit or loss	2,157	380	-	2,537
Investment components	-	-	-	-
Cash flows				
Premiums received including investment components	-	-	-	-
Claims and other insurance service expenses paid	-	-	-	-
Insurance acquisition cash flows	-	-	-	-
	-	-	-	-
Transfer to other items in the balance sheet	-	-	-	-
At 31 December 2023				
Insurance contract assets	-	-	-	-
Insurance contract liabilities	-	-	-	-
Net asset (liability)	-	-	-	-

15. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of reinsurance balances for remaining coverage

Total	**2022**			
	Asset for remaining coverage			
	Excluding loss-recovery component	**Loss-recovery component**	**Incurred claims**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2022				
Reinsurance contract assets	-	5,896	-	5,896
Reinsurance contract liabilities	-	-	-	-
Allocation of reinsurance premiums paid				
All contracts	-	-	-	-
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	(101)	(90)	16	(175)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	1	701	-	702
Adjustments to assets for incurred claims	-	-	-	-
	(100)	611	16	527
Effect of changes in non-performance risk of reinsurers	98	-	-	98
Net income from reinsurance contracts held	(2)	611	16	625
Finance expenses from reinsurance contracts held	27	(3,970)	-	(3,943)
Exchange differences	-	-	-	-
Total change in profit or loss	25	(3,359)	16	(3,318)
Investment components	-	-	-	-
Cash flows				
Premiums paid	-	-	-	-
Amounts received	-	-	(16)	(16)
	-	-	(16)	(16)
Transfer to other items in the balance sheet	-	-	-	-
At 31 December 2022				
Reinsurance contract assets	25	2,537	-	2,562
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	25	2,537	-	2,562

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Notes to the financial statements

15. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of reinsurance balances for remaining coverage

Group	2023			
	Asset for remaining coverage		Incurred claims	Total
	Excluding loss-recovery component	Loss-recovery component		
	£'000	£'000	£'000	£'000
At 1 January 2023				
Reinsurance contract assets	25	2,537	-	2,562
Reinsurance contract liabilities	-	-	-	-
Allocation of reinsurance premiums paid				
All contracts	-	-	-	-
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other insurance service expenses	(0)	(8)	-	(8)
Recoveries and reversals of recoveries of losses on onerous underlying contracts	(24)	(2,653)	-	(2,677)
Adjustments to assets for incurred claims	-	-	-	-
	(24)	(2,661)	-	(2,685)
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net income from reinsurance contracts held	(24)	(2,661)	-	(2,685)
Finance income from reinsurance contracts held	(1)	124	-	123
Exchange differences	-	-	-	-
Total change in profit or loss	(25)	(2,537)	-	(2,562)
Investment components	-	-	-	-
Cash flows				
Premiums paid	-	-	-	-
Amounts received	-	-	-	-
	-	-	-	-
Transfer to other items in the balance sheet	-	-	-	-
Net asset (liability)	-	-	-	-
				-
At 31 December 2023				-
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	-	-	-	-

15. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of the measurement components of reinsurance contract balances

Total	2022			
	Present value of future cash flows	**Risk adjustment for non-financial risk**	**Contractual service margin**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 January 2022				
Reinsurance contract assets	4,067	1,306	523	5,896
Reinsurance contract liabilities	-	-	-	-
	4,067	1,306	523	5,896
Relating to current services				
Contractual service margin recognised for services received	-	-	1	1
Changes in risk adjustment for non-financial risk for risk expired	-	(20)	-	(20)
Experience adjustments	(46)	-	-	(46)
Relating to future services				
Contracts initially recognised in the year	-	-	-	-
Changes in estimates that adjust the contractual service margin	(63)	-	(47)	(110)
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	424	8	270	702
Relating to past services				
Changes to assets for incurred claims	-	-	-	-
Effect of changes in non-performance risk of reinsurers	63	-	35	98
Net income from reinsurance contracts held	378	(12)	259	625
				-
Net finance income from reinsurance contracts held				
Relating to change in financial assumptions	(2,792)	(924)	(315)	(4,031)
Relating to unwind of discount rate	31	10	47	88
Exchange differences	-	-	-	-
Total change in profit or loss	(2,383)	(926)	(9)	(3,318)
Investment components	-	-	-	-
Cash flows				
Premiums paid	-	-	-	-
Amounts received	(16)	-	-	(16)
	(16)	-	-	(16)
At 31 December 2022				
Reinsurance contract assets	1,668	380	514	2,562
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	1,668	380	514	2,562
At 31 December 2023				
Reinsurance contract assets	-	-	-	-
Reinsurance contract liabilities	-	-	-	-
Net asset (liability)	-	-	-	-

15. Insurance contract liabilities and reinsurance assets (continued)

Reconciliation of the measurement components of reinsurance contract balances

	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	1,668	380	514	2,562
Reinsurance contract liabilities	-	-	-	-
	1,668	380	514	2,562
Relating to current services				-
Contractual service margin recognised for services received	-	-	(0)	(0)
Changes in risk adjustment for non-financial risk for risk expired	-	(1)	(2)	(3)
Experience adjustments	(5)	-	-	(5)
				-
Relating to future services				
Contracts initially recognised in the year	-	-	-	-
Changes in estimates that adjust the contractual service margin	(3)	-	-	(3)
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	(1,748)	(395)	(535)	(2,677)
Relating to past services				
Changes to assets for incurred claims	-	-	-	-
Effect of changes in non-performance risk of reinsurers	3	-	-	3
Net income from reinsurance contracts held	(1,753)	(396)	(537)	(2,686)
				-
Net finance income from reinsurance contracts held				
Relating to change in financial assumptions	75	14	17	106
Relating to unwind of discount rate	10	2	6	18
Exchange differences	-	-	-	-
Total change in profit or loss	(1,668)	(380)	(514)	(2,562)
Investment components	-	-	-	-
Cash flows				-
Premiums paid	-	-	-	-
Amounts received	-	-	-	-

15. Insurance contract liabilities and reinsurance assets (continued)

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**
01-Jan-22	0.76%	1.05%	0.95%	0.88%	0.82%
31-Dec-22	4.46%	4.06%	3.71%	3.54%	3.35%
31-Dec-23	4.73%	3.35%	3.28%	3.43%	3.35%
17-Feb-23	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.

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 1.7% 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 67.5 per cent at 31 December 2022 and on transition at 1 January 2022.

15. Insurance contract liabilities and reinsurance assets (continued)

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.

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.

16. Share capital

	2023 £'000	2022 £'000
Issued and fully paid:		
7,900,002 (2022: 25,900,002) voting ordinary 'A' shares of £1 each	7,900	25,900
	7,900	25,900

17. Notes to the Statement of Cash Flows

	2023 £'000	Restated* 2022 £'000
Loss from operations	(1,615)	(1,811)
Adjustments for:		
Movement in provisions	(3,699)	(2,234)
Adjustments for share-based payments scheme	3	604
Operating cash flows before movements in working capital	(5,311)	(3,441)
Decrease in receivables	22	5,477
Decrease in payables	(7,606)	(279)
Taxation	-	-
Cash generated from operations	(12,895)	1,757
Net cash flow from operating activities	(12,895)	1,757

* The 2022 comparative figures have been restated for the impact of IFRS 17. See note 15 for further details.

18. Retirement benefit scheme

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

An amount of £58k (2022: £58k) was recognised as an expense for defined contribution plans. The amount is included in staff costs in the Statement of Comprehensive Income.

19. Share-based compensation

The profit of the Company is stated after charging an amount of £3k (2022: £604k) 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.

20. 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 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 the trade and receivables note.

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	10,104	30,999
Trade & other receivables	9,580	9,585
	19,684	40,584

Market risk

The Company defines market risk as the risk that the Company's equity capital or earnings profile is affected by adverse market movements, in particular equity levels, equity volatility and interest rates. 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.

Market risk factors contribute towards the Black-Scholes option pricing model used to value the Company's insurance liability. Reductions in equity levels and interest rates and increases in equity volatility all have the effect of increasing the liability. The risk is managed through a reinsurance contract which mitigates any impacts on the liability. See note 15 for further information.

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 balance is optimised.

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	Accruals £'000	Trade payables £'000	Accruals £'000
< 6 months	17	1,373	473	2,156
Carrying value of liabilities	17	1,373	473	2,156

The movement between the categories reflects the timing of billing from suppliers at each year end date.

20. Financial risk management (continued)

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	18,720	26,453
Regulatory capital requirement	7,520	12,435

21. 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	206	-
Social security costs	22	-
Other pension costs	38	-
Share based compensation costs	3	-
	269	-

The average headcount recharged for the period from 1 May 2023 was 10 (2022: nil).

The Company has been charged by its parent, EGL, £nil (2022: 1,335k) for Executive Management costs. At the year-end there was a balance owing to EGL Limited of £1k (2022: £848k).

The Company has been charged by its fellow subsidiary, Embark Corporate Services Limited ("ECSL"), £4,468k (2022: £9,838k) for finance, marketing, facilities, HR, compliance & legal and senior management costs and £5,156k (2022: £9,975k) for the use of pension administration software owned by ECSL. At the year-end there was a balance owing from ECSL of £8,525k (2022: owing to ECSL £2,848k).

The Company has been charged by its fellow subsidiary, Embark Investments Limited ("EIL"), £26k (2022: £35k) for investment governance services in respect of the Sterling Fund Panel and the Morningstar Model Portfolios and £0k (2022: £268k) for advance platform services in respect of fund management. At the year-end there was no balance owing to EIL (2022: £2k).

The Company has been charged by its fellow subsidiary, Embark Investment Services Limited, £307k (2022: £375k) for advance platform services in respect of fund management. At the year-end there was a balance owing from Embark Investment Services Limited of £12k (2022: owing to EISL £80k).

In February 2023, the return of contribution on death benefit provided on certain accounts on the CUTAS book was transferred to Embark Investment Services Limited for consideration of £nil. See note 15 for further details.

In October 2023, the integration of the advisers and customers to Embark Investment Services Limited concluded with the transfer of the Embark Advance portfolio of clients to Embark Investment Services Limited for consideration of £nil.

22. 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.

23. Subsequent events

On 23 April 2024, the Board of the Company proposed and paid a dividend of £8m to its parent Company, Embark Group Limited.