Scottish Widows Unit Trust Managers Limited

Annual Report and Accounts

2024

Member of Lloyds Banking Group

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COMPANY INFORMATION

Board of Directors

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M Keil

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STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Unit Trust Managers Limited (the 'Company') for the year ended 31 December 2024.

The Company is a subsidiary of Scottish Widows Group Limited (Scottish Widows) and contributes to the results of the Insurance, Pensions and Investments (IP&I) Division of Lloyds Banking Group.

Principal activities

The principal activity of the Company is that of an Authorised Corporate Director (ACD) of six Open-Ended Investment Companies (OEICs) and one Authorised Contractual Scheme (ACS), and the manager of Individual Savings Accounts (ISAs).

Result for the Year

The result of the Company for the year ended 31 December 2024 is a profit after tax of £13.1 million (2023: £13.1 million). The result, whilst comparable year on year, reflects an increase in income from annual management charges (AMC) offset by a reduction in investment income received and an increase in administrative expenses.

There was a £2.0 million (3.2 per cent) increase in AMC revenue during the year (2023: £(6.7) million decrease). This was driven by higher average funds under management (FUM) throughout 2024. FUM levels saw an increase due to investment gains in the year following inflationary and interest rate reductions easing the cost of living pressures. Furthermore, FUM has benefitted from lower than expected policy run-off in 2024.

The Company receives income from its investment of cash reserves in liquidity funds, which have been lower than prior year together with a fall in interest yields.

Administrative expenses increased by £0.8 million (1.5 per cent) (2023: £(10.4) million decrease). The key driver for this was a £0.5 million increase in recharges from other group companies in 2024. This increase is primarily due to investment cost increases relating to fund mergers and closures, and other heritage platform related expense allocations to the Company.

Total equity for the Company decreased by £(6.9) million (2023: £(61.9) million decrease), as a result of a £20 million dividend paid in October, offset by the current year's profit retained in cash equivalents.

Climate Change

The company is a subsidiary of Lloyds Banking Group. Lloyds Banking Group is committed to supporting the aims of the 2015 Paris Agreement, in transitioning to a more sustainable, low carbon economy and recognises the importance of embedding climate-related risks and opportunities into business operations and strategy.

As part of Lloyds Banking Group, Scottish Widows has published a climate plan that sets out a long-term strategy with actions to drive the investment portfolio towards net zero by 2050, formulated in a manner that prioritises customer goals within decision-making.

The Company is supportive of the Task Force on Climate Related Financial Disclosures (TCFD) framework and related regulatory expectations and is aligned to best practice outlined by the Climate Financial Risk Forum (CFRF). The Company is subject to the requirements of the FCA’s Environmental, Social and Governance sourcebook (the sourcebook) and must therefore publish its own entity level TCFD aligned report which complies with the sourcebook requirements. The report for the 2024 year-end will be published on the Scottish Widows website at www.scottishwidows.co.uk/climatereport prior to the 30 June 2025. Product level reporting will also be published on the Scottish Widows website, offering climate related information on customer funds.

Key performance indicators

The Company is focused on ensuring it maximises capital efficiency and returns for its shareholder and the IP&I Division of Lloyds Banking Group. To support this, the Company is focused on the following financial key performance indicators (KPIs).

Funds under management

FUM managed by the Company on behalf of customers was £41.9 billion (2023: £40.4 billion) at the balance sheet date. The net increase of £1.5 billion is primarily a result of positive market movements on underlying investments following inflationary and interest rate reductions easing the cost of living pressures, with lower than expected net customer outflows slightly offsetting these market gains. The average FUM balance over the year was £41.0 billion (2023: £39.6 billion).

Revenue from institutional business and retail AMCs (charged as a percentage of customer funds under management) was £62.2 million (2023: £60.3 million).

Capital Resources

The Directors believe that the Company currently has adequate capital resources, £81.5 million (2023: £88.1 million); and will continue to do so in the foreseeable future. Further information on the capital position of the Company is given in note 23 d).

Liquidity

The Company regularly monitors its liquidity position, to ensure that, even under stressed conditions, the Company has sufficient liquidity to meet its obligations and remains within an approved risk appetite.

STRATEGIC REPORT (continued)

Other Sources

The development, performance and position of the IP&I Division of Lloyds Banking Group are presented within Lloyds Banking Group's Annual Report, which does not form part of this report and will be issued in Q1 2025.

The Directors consider that the above are the key performance indicators which are appropriate to the principal activity of the Company. These, together with other metrics which cover customer, operational measures and capital, are included in the balanced scorecard which is used to measure all aspects of the performance of the business. In addition, the Directors are of the opinion that the information contained in the Company's Financial Conduct Authority (FCA) returns on capital resources and requirements, in conjunction with the information presented in the financial statements as a whole, provide the management information necessary for the Directors to understand the development, performance and position of the business of the Company.

Review of the business

In addition to the progress made against the strategic initiatives summarised earlier there are other areas that are worthy of note and these are described below. Decisions taken in the areas described below and in pursuit of our strategy are brought to the Company's Board for due consideration and approval.

Outsourcing of long-standing customer administration platform

During 2024, the Company, along with Diligenta, our strategic partner, has re-mobilised the development activity to replace the Mutual Funds platform. The plan is to migrate the existing book of business across to the new platform during 2025.

Fund mergers and closures

The ACD has set a direction of reducing the range of investment strategies it manages and to focus on those that it believes will deliver the strongest outcomes to its investors over the long term. In the first phase, it merged many of its smaller funds which were red-rated for fund performance in the most recent ACD Assessment of Value, into continuing strategies and this completed in June 2024. The second phase dealt with fund strategy changes, and addressed many of the ACD's active regional equity strategies. This moved the in-scope UK funds to a passive approach and merged the non-UK regional funds into global funds. The second phase completed in Q4 2024.

Embark / Horizon

On 27 August 2024, the Board approved the legal transfer of the Horizon Funds range from Embark Investments Limited (EIL) to the Company effective 1 February 2025. Following the transfer, the Horizon fund range will be developed, within existing fund objectives, to align more closely with the Company's investment approach.

Outlook

The Directors consider that the Company's principal activities will continue to be unchanged in the foreseeable future.

Principal risks and uncertainties

Risks and uncertainties to our strategic plan, both positive and negative, are considered by product through the planning process. The following table describes the principal risks faced by the Company. Further details on the key financial risks can be found in note 23.

Financial risks

Principal Risk	Note reference	Description
Market risk	23(a)	Market risk is the risk that the Company's capital or earnings profile is affected by adverse market rates. Of particular importance to the Company are equity risk and interest rate risk. External rates are outside the Company's control, so mitigation is via having sufficient financial reserves to cover reduced earnings.
Credit risk	23(b)	Credit risk is the risk that parties with whom we have contracted, fail to meet their financial obligations. The Company is subject to credit risk through a variety of counterparties through invested assets including units held in Managers Box, cash in liquidity funds and bank accounts. Credit risk is mitigated via the Credit Risk Policy framework, which ensures exposures are appropriately monitored and action taken where necessary.
Liquidity risk	23(c)	Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due or can only secure them at excessive cost. The Company is exposed to liquidity risk from payments to shareholders and non-shareholder related activity, such as investment purchases and the payment of shareholder expenses. Liquidity risk is mitigated by applying the Liquidity Risk Policy, which includes controls to maintain liquidity at necessary levels.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Principal Risk	Note reference	Description
Capital risk	23(d)	Capital risk is the risk that the Company has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across the Company. Capital refers to the regulatory capital for the Company. The business of the Company is regulated by the FCA. The FCA specifies the minimum amount of capital that must be held by the Company in addition to its liabilities. The minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met. Capital risk is managed via the Capital Risk Policy, which includes tools and governance to monitor capital requirements and assign capital accordingly.

Non-financial risks

Principal Risk	Description
Operational risk	Operational risk is the risk of actual or potential impact (financial and/or non-financial) from inadequate or failed internal processes, people and systems or from external events. This includes risks in relation to Cyber, Data and Privacy, Information Security, Change Execution, Transaction Processing, Internal and External Service Provisions, Economic Crime – Fraud, Financial Reporting, IT Systems, Business Continuity, Sourcing and Supply Chain Management. Operational risk is managed through an operational risk framework, including a Risk and Control Self- Assessment (RCSA) process, and operational risk policies. The Company maintains a formal approach to operational risk event escalation, whereby material events are identified, captured and escalated. Root causes of events are determined, and action plans put in place to ensure an optimum level of control to keep customers and the business safe, reduce costs, and improve efficiency. This may involve management of incidents/issues both internally or within our outsourced partners.The Company has material arrangements with outsourced partners. The associated risks are managed via the Sourcing and Supply Chain Management Policy which supports the delivery of good outcomes for customers.
Data risk	Data risk is defined as the risk of failing to effectively and lawfully govern, manage and control data (including data processed by third party suppliers), leading to unethical decisions, poor customer outcomes, loss of value and mistrust. It is present in all aspects of the business where data is processed, both within the company and by third parties. This risk is measured through a series of quantitative and qualitative indicators, covering data governance, data management, records management, data privacy and ethics. Data risks and controls are monitored and governed in line with an embedded risk management framework, which involves identification, measurement, management, monitoring and reporting.
Conduct risk	The risk of customer detriment through actions and behaviours across the customer lifecycle, including: failures in product management, poor investment performance, distribution, servicing activities and the communication of product changes; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss. It can come about from the failure to deliver fair outcomes for customers, across the customer lifecycle and throughout their relationship with the Company, or a knock-on impact from other activities that may have customer impacts, including operational resilience and loss events. Conduct Risk is managed via the Customer Policy which supports the delivery of good outcomes for customers.
Climate risk	Climate risk is the risk that the Company experiences losses and/or reputational damage, either from the impacts of climate change and the transition to net zero (‘inbound risk’) or as a result of the Company’s response to tackling climate change (‘outbound risk’). As a cross-cutting risk, Scottish Widows Group (of which the Company is a subsidiary) has integrated climate risk as a principal risk into its Enterprise Risk Management Framework (ERMF) which articulates how we manage climate risk through our policies and procedures.
Change / Execution risk	The risk of failure to effectively prioritise, execute, implement and adopt change to achieve organisational objectives and/or mitigate adverse impacts on customers and colleagues arising from change. This could occur through failing to follow the change methodology. The safe delivery of change initiatives is supported by a Change Policy.
Business Continuity risk	Business Continuity risk is defined as the inability to prevent, detect, respond, recover, and learn from internal or external events of disruption, in line with appetite, due to inadequate response and recovery capability, impacting the ability to continue operations and minimise the impact to customers, the company, and/or the wider financial sector and UK economy. Business Continuity risk is managed via the Operational Resilience Policy.
Regulatory and Legal Compliance risk	Regulatory and Legal Risk is defined as the risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and / or legal requirements. The Company has relevant policies relating to compliance and legal risk management to mitigate this risk.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Non-financial risks (continued)

Principal Risk	Description
People risk	The risk that the company fails to provide an appropriate colleague and customer centric culture, supported by robust reward and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and robust control to ensure all colleague-related requirements are met. People risk is managed through relevant policies, which include the People Policy and the Remuneration Policy.

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

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

In accordance with the Companies Act 2006 (the 'Act') the Directors of the Board provide this Statement, describing how they have had regard to the matters set out in Section 172(1) of the Act when fulfilling their key duty to promote the success of the Company, under Section 172.

This Statement also provides examples of how the Directors have engaged with and had regard to the interests of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc (Lloyds Banking Group), and as such follows many of the processes and practices of Lloyds Banking Group, which are further referred to in this Statement where relevant.

How the Board has discharged its Section 172 duties

The Board undertakes an annual review of its governance arrangements in particular matters it has reserved for its own determination and those for which it has delegated authority to management. This enables the Board to provide effective, sound, and entrepreneurial leadership of the Company within Lloyds Banking Group's strategic guidance and effective controls.

Stakeholder engagement is embedded in the Board's delegation to the Company's Chief Executive for the delivery of the Company's strategy and overall management of the Company's business within its defined risk appetite. Examples of related actions taken during the year are included within the Report. The Chief Executive discharges her responsibility for the day-to-day management of the Company's business through delegating key areas of her authority to management and with the assistance of the Company's Business Management Committee this enables her to make informed decisions about the operations of the Company's business.

The Chief Executive and management provide the Board with details of material stakeholder interaction and feedback, through quarterly business updates. Stakeholder interests are also identified by management in the wider proposals put to the Board.

During the year, the Board supported a detailed review of the Company's strategy led by the Chief Executive and management. This included a review of the medium and longer-term priorities of the Company's business to ensure the Company remained sustainable, profitable and was meeting the needs of customers.

Further details of how the Board considers each of the specific matters set out in Section 172 along with specific examples of how these considerations have influenced decisions taken by the Board are set out in page numbers 7 to 11 which serves as the Directors' Section 172(1) Statement. Given the importance of stakeholder interests, these are discussed where relevant throughout the Report.

Customers

The Board remains committed to understanding and addressing customer needs, which is vital in setting and achieving the Company's goals. The Company serves a wide variety of different customers and aims to meet their diverse needs through its range of funds, and the quality of service provided.

A key priority is the Company's adherence to its regulatory duties as an Authorised Fund Manager to ensure that all customers are treated fairly, pricing is fair, correct, and transparent and undue costs charged to customers are prevented.

Quarterly reporting from management allows the Board to monitor performance, and challenge management, in delivering on its customer-related objectives. The Board reviews themes from customer complaints to understand areas where improvements can be made. Management conducts regular reviews of the investment service to ensure that the Company's funds are operating as described to customers in the fund objective. A robust governance process evaluates decisions taken by fund managers to ensure these are in the best interests of customers, and consistent with each fund mandate. Strategic decision-making undertaken by the Board considers customer interests,and where relevant customer feedback and/or related management information is utilised. Increased customer enquiries due to cost-of-living pressures and lower investment values has meant timeliness of response to customers did not always meet expected standards. Action has been taken to increase telephony staff numbers, and a subsequent improvement in service reported.

STRATEGIC REPORT (continued)

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

Customers (continued)

Consumer Duty

A key focus for the Board during the year has been overseeing the Company's implementation and embedding of the Financial Conduct Authority's (FCA) Consumer Duty (CD) principle. This aims to strengthen the Company's focus on the delivery of good outcomes for customers, specifically ensure customers receive information they can understand, products and services that meet their needs and offer fair value, and ensure customers receive the support they need. The Board welcomed confirmation that the Company had demonstrated its full commitment to CD, putting customer outcomes at the heart of how the Company's Longstanding business is managed and is taking all reasonable steps to deliver better outcomes for customers as soon as possible via its timebound plan. During the year, a key area of Board discussion and challenge had been the demonstration of customer understanding of investments, and the importance of identifying the needs of different customer groups including older and more vulnerable customers. The Board was pleased with the progress made on the development of a new CD management reporting dashboard following a live demonstration at its November meeting. From 2025 the Board has requested six monthly updates on CD as it continues to oversee both management's implementation of enhanced CD reporting to better inform decision-making, and the Company's progress towards achieving compliance with the FCA's Consumer Duty Outcome Monitoring requirements by April 2025.

Delivering Value for Customers

The Board undertakes an annual review of the Company's funds and shareclasses to assess overall value delivered to customers. The approach the Board takes to assess the value delivered by the Company's funds considers a range of reference points to give appropriate perspective. The decisions taken by the Board during the year to improve outcomes for customers reflect the guidelines set by the FCA's Assessment of Value and CD regulations which require firms to provide good outcomes for customers.

The results of individual assessments for each fund and actions taken can be found in the Company's Assessment of Value Report published on the Scottish Widows website.

Fund Performance

The Company's business model of partly outsourcing fund management means investment managers who specialise in specific areas of the market are selected to deliver the investment performance expected by customers within the constraints of the Company's mandates. This approach enables the Company to keep the performance of its appointed investment managers under constant review.

Monitoring of overall fund investment strategy and performance is a key matter reserved to the Board. The Board receives reports on investment performance, alongside reporting from the Board Investment Committee. Market conditions continued to make it difficult for active fund managers to outperform equivalent passive funds. Steps were taken to change some funds to reduce the risk of active performance where this was agreed to be in the best interest of customers. During the year, action was also taken on funds which continued to underperform relative to their benchmarks, or where a change in the investment strategy for equity funds was considered to generate better outcomes. Following a customer vote, the respective funds were closed and merged with alternatives from within the Company's fund range in 2024. The Board expects that investment in the newly merged funds will benefit customers over the long term through the different style and/or increased diversity of investment.

Following an assessment of the charges across the Company's fund range against groups of similar funds, the Board concluded that the charges were competitive for the services provided, taking into account that, unlike many other providers, the Company does not charge platform administration fees, on top of the fund Ongoing Charge Figure.

Further information on actions taken by the Board to address fund performance can be found in the Company's Assessment of Value Report published on the Scottish Widows website.

Technology Transformation

The Board has taken steps to make sure the Company continues to build on its responses to customer demand for digitised customer journeys. Whilst digital transformation has remained a key focus in improving the customer experience, the Board acknowledges that many customers still value being able to contact customer service staff over the phone, via letter or through email. The importance of the Company continuing to offer and improve these services in parallel is recognised by the Board.

During the year a key focus of Board discussion had been the end-to-end Bereavement service offered to customers. The Board welcomed management's investigation into process enhancements and the introduction of new technology which would see the delivery of improvements within this most vulnerable customer journey.

The delivery of the planned migration of the Company's funds to Diligenta's BaNCs platform in 2025 remains a high priority. The platform migration will be an enabler to providing customers with an enhanced experience with new ways of managing investments online and allowing customers to access the information they need quickly and easily. This will include online 'self-servicing' capabilities, digital banking capabilities, process simplification, automation and improved financial and operations controls.

STRATEGIC REPORT (continued)

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

Customers (continued)

Technology Transformation (continued)

The Company contributes to the results of the IP&I division of Lloyds Banking Group. As the only integrated banking, insurance and investment provider in the UK, the IP&I Division has a unique opportunity to help customers manage their finances today, while at the same time helping them plan for tomorrow. At the heart of the IP&I strategy is the delivery of a new digital proposition which will be simple, intuitive and interactive where customers will be able to see all their finances in one place with access to a broader suite of products to fulfil their evolving needs.

The Board continues to be consulted on key decisions and updated on the delivery of commercial milestones including assurance outcomes testing and the delivery of major programmes.

Helping Britain Prosper

Lloyds Banking Group's purpose is *Helping Britain Prosper* by creating a more sustainable and inclusive future for people and businesses, shaping finance as a force for good.

Further information on Lloyds Banking Group's initiatives can be found in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2024, available on the Lloyds Banking Group website.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group and as such the Board ensures that the strategy, priorities, processes, and practices of the Company are aligned where appropriate to those of Lloyds Banking Group, ensuring that its interests as the Company's shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group with its shareholders is included in the Strategic Report within the Lloyds Banking Group Annual Report and Accounts for 2024, available on the Lloyds Banking Group website.

The views and interests of the Company's shareholders are key considerations when the Board determines the level of dividend payments (further details of which can be found on page 12 within the Directors' Report) as well as when approving the Company's business strategy and long-term objectives.

Impact on the Community and Environment

The Board is supported on environmental matters by its Board Investment Committee with the majority of members being independent non-executive directors. The Committee oversees the investment management strategy of the Company's funds. Consideration is given to specific opportunities related to sustainability risks, including climate, people and societal risk. This includes monitoring the effectiveness of the strategy for meeting the stated Net Zero targets in respect of Scottish Widows' overall investments.

The Chair of the Board Investment Committee reports regularly to the Board on key matters relating to the IP&I business sustainability strategy and activities relevant to the Company.

Climate Risk

Approval of proposed external commitments in relation to climate risk that materially impact the Company or the Company's funds are matters reserved to the Board. With effect from 1 January 2023, the Company is subject to the requirements of the FCA's ESG Sourcebook and is, therefore, required to publish an annual Taskforce on Climate-related Disclosures (TCFD) Report. The TCFD Report sets out the governance in place for how the Company assesses and manages climate-related risks and opportunities and includes a summary of performance against targets to manage climate-related risks. Oversight and approval of the Company's TCFD Report is undertaken by the Board. The latest TCFD Report can be found on the Scottish Widows website.

Responsible Investment & Stewardship

The Board monitors the Company's overall fund investment strategy and performance giving due consideration to the Scottish Widows Responsible Investment (RI) Framework. This is a principles-based framework which guides the Company's decisions on the investments made, the fund managers selected, research into funds, and how the Company engages with companies it invests in. A refresh of the RI Framework was undertaken by the Board Investment Committee in Q4.

RI is a core consideration for the Company. The Board's approach aims to deliver better outcomes for customers.

Reducing Environmental, Social and Governance (ESG) risks and increasing investment in companies with stronger ESG credentials or those that are transitioning helps provide downside protection and upside potential, creating more resilient investment funds in the long term. Progress is also being made to halve the carbon footprint of investments by 2030, on the path to net zero emissions by 2050. Work also continues with appointed investment managers in line with our Stewardship Code commitment, to encourage them to continually improve their RI approaches, better challenge companies they invest in and vote in line with customers' best interests.

Investing more in companies with stronger ESG credentials and those that are transitioning can help deliver financial returns for customers in a responsible way, whilst tackling systemic risks and benefitting people & planet.

STRATEGIC REPORT (continued)

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

Shareholders (continued)

Responsible Investment & Stewardship (continued)

Having reviewed the FCA's Sustainability Disclosure Requirements (SDR) and Investment Labels Policy Statement (PS 23/16), the Board decided not to apply sustainability investment labels where applicable to the Company's current funds. The Board is satisfied that by choosing to implement the naming and marketing rules as permitted by SDR, this will ensure customers can still make informed investment decisions while maintain trust in the sustainable funds they choose. The FCA's SDR labelling requirements will be kept under review and be considered in the design of new funds and/or changes being made to existing funds.

Regulators

The Board and the Company continue to maintain strong, open, and transparent relationships with relevant regulators and government authorities. Liaison with regulators and the Government, both directly and as part of Lloyds Banking Group, is an ongoing priority at all levels of the organisation, ensuring Lloyds Banking Group, and the Company's strategic aims align with the requirement of these important stakeholders.

Regulatory Agenda

Individual Directors have, in the ordinary course of business, held discussions with the FCA on key aspects of the regulatory agenda impacting the Company. These have included, but not limited to Liquidity Management, progress on meeting the CD requirements, and fund rationalisation proposals including mergers/closures.

The Board, in turn received regular quarterly updates on these and the wider IP&I business' regulatory interactions during the year. This has included updates on the service performance of outsourced supplier Diligenta and the planned migration of the Company's funds to Diligenta's BaNCs platform.

In addition, throughout the year, the Board received details of the key Regulatory Developments impacting the Company which included: the FCA's SDR and Investment Labels Policy Statement (PS 23/16), Guidance on Anti-Greenwashing Rule (GC23/3), updating the regime for Money Market Funds Consultation Paper (CP23/28), the Dear CEO Letter – FCA Asset Management & Alternatives Supervision Strategy, the FCAs Fundamental Review of the UK Stewardship Code 2020, and the FCA's Business Plan 2024/2025.

During the year, the Board also received an update on the Company's client money management arrangements including an annual attestation required to be made by management to the Board on compliance with the FCA's CASS Resolution Pack rules.

During the year, the FCA requires all UK fund managers to carry out an annual review of the funds they manage to assess the overall value delivered to customers, considering seven specific criteria. See earlier section 'Delivering Value for Customers' on page 8.

Suppliers

As part of Lloyds Banking Group, the Company has entered into strategic partnerships for important aspects of its operations and customer service provision. As well as external partners, the Company relies on intra-group supplier arrangements for certain services. The Board recognises the importance of its role in overseeing these relationships, which are integral to the Company's future success.

The advantage of being part of a larger group means there are robust processes in place to monitor and review costs with third parties who provide services to the Company's funds. The outsourced business model allows the Company to negotiate competitive fees and commercial terms with its service suppliers to control costs for all our customers.

Supplier Experience

Recognising the role of suppliers in the Company's day-to-day operations, and its future ambitions, the Board undertakes regular reviews of the Company's core investment managers Schroders and BlackRock, and outsourced service providers Diligenta and State Street Bank & Trust (SSBT). This is informed by performance reporting via management updates to the Board and takes into consideration supplier feedback where applicable on the Company's processes for potential improvement. The Board's approach to annual reviews is collaborative with participation from both management and suppliers. During the year representatives from Diligenta, SSBT and State Street Trustees Ltd attended the Company's Board meetings to support the annual reviews.

Supplier Framework

Importance is placed on having the right supplier framework to operate responsibly. Lloyds Banking Group's Sourcing & Supply Chain Management Policy applies to all its businesses units, divisions, and subsidiaries, including the Company, with the Directors assuming ultimate responsibility for its application as relevant to the Company. This ensures the most significant supplier contracts receive the approval of the Board, including those which are key in progressing strategic priorities. The framework also ensures appropriate executive oversight of supplier spending not considered by the Board, allowing challenge to be made where appropriate, and minimising risks and unnecessary cost.

STRATEGIC REPORT (continued)

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

Suppliers (continued)

Supplier Framework (continued)

Suppliers are required to adhere to relevant Lloyds Banking Group policies and comply with its Code of Supplier Responsibility which can be found on the Lloyds Banking Group website. This defines expectations for responsible business behaviour, underpinning the efforts of the Company and Lloyds Banking Group to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular reviews of key supplier risks.

Lloyds Banking Group remains committed to collaborating with suppliers to tackle climate change and ensure it is embedded within the strategy and governance of their organisations. Reducing suppliers' emissions is a key component of its sustainability strategy. In 2022, Lloyds Banking Group launched its Emerald Standard which suppliers are asked to work towards to help drive progress towards a lower carbon future. Attainment of the Standard by suppliers will increasingly contribute to the award of future business.

Modern Slavery

The Responsible Business Committee of the Board of Lloyds Banking Group as part of its oversight of its performance, including that of the Company, as a Responsible Business, governs Lloyds Banking Group’s approach to human rights. Lloyds Banking Group’s Human Rights Position Statement can be found on the Lloyds Banking Group website.

On a day-to-day basis, management of and engagement on modern slavery and human rights is guided by the Modern Slavery and Human Rights Working Group led by the Social Sustainability Manager, which meets bi-monthly to assess the embedding of human rights within the Lloyds Banking Group’s operations.

Lloyds Banking Group’s Modern Slavery & Human Trafficking Statement covers all its subsidiary companies, including the Company, which is required to publish an annual statement, and sets out the steps taken to prevent modern slavery in Lloyds Banking Group’s business and supply chains. The IP&I Executive Committee governs (and approves) this Statement as it relates to the Company. The Statement is published on the Scottish Widows website.

Maintaining a Reputation for High Standards of Business Conduct

The Board supports the Company’s Chief Executive to ensure a culture of customer focus (including treating customers fairly), risk awareness and ethical behaviours. As part of the Board’s oversight of this, the Board will, where relevant seek assurance from management that steps have been taken to ensure that policy and behaviours are aligned to the purpose, value, and strategy of the wider IP&I business.

Approved / authorised for issue by the Board of Directors

S T Nyahasha

Director

28 January 2025

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company. The Company is a private company limited by shares, domiciled and incorporated in England and Wales.

The Company is a wholly owned subsidiary of Scottish Widows Limited (SWL). The Company's ultimate parent company and ultimate controlling party is Lloyds Banking Group.

Results and dividend

The result of the Company for the year ended 31 December 2024 is a profit after tax of £13.1 million (2023: £13.1 million). The result, whilst comparable year on year, reflects an increase in income from annual management charges (AMC) offset by a reduction in investment income received and an increase in administrative expenses.

There was a £2.0 million (3.2 per cent) increase in AMC revenue during the year (2023: £(6.7) million decrease). This was driven by higher average funds under management (FUM) throughout 2024. FUM levels saw an increase due to investment gains in the year following inflationary and interest rate reductions easing the cost of living pressures. Furthermore, FUM has benefitted from lower than expected policy run-off in 2024.

The Company receives income from its investment of cash reserves in liquidity funds, which have been lower than prior year together with a fall in interest yields.

An interim dividend of £20.0 million was paid during the year (2023: £75 million). The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: £nil).

Total equity for the Company decreased by £(6.9) million (2023: £(61.9) million decrease), as a result of a £20 million dividend paid in October, offset by the current year's profit retained in cash and cash equivalents.

The Directors consider the result for the year to be satisfactory in light of these factors. Further information can be found in the Strategic Report.

Post balance sheet events

Further information on post balance sheet events is set out in note 26.

Directors

The names of the current Directors are listed on page 3. Changes in Directorships during the year and since the end of the year are as follows:

S T Nyahasha	(appointed 15 January 2024)
C J Thornton	(resigned 1 March 2024)
E J Watkins	(appointed 1 March 2024)
K Doran	(appointed 8 March 2024)
A J Reizenstein	(resigned 30 June 2024)
M H Cuhls	(appointed 1 July 2024)

Particulars of the Directors' emoluments are set out in note 24.

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 any 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..

Disclosure of information to auditors

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

Future developments

Details of any future developments are provided in the Company's Strategic Report.

Financial risk management

Disclosures relating to financial risk management are included in note 23 of the accounts and are therefore incorporated into this report by reference.

DIRECTORS' REPORT (continued)

Engagement with suppliers, customers and others

Disclosures relating to engagement with suppliers, customers and others are included in the Strategic Report and are therefore incorporated into this report by reference.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and Deloitte LLP will therefore continue in office.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts 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 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and financial performance of the Company; and
- the Strategic Report on pages 4 to 11, and the Directors' Report on pages 12 to 13 include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Approved / authorised for issue by the Board of Directors

S T Nyahasha

Director

28 January 2025

Independent auditor's report to the members of Scottish Widows Unit Trust Managers Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Widows Unit Trust Managers Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 December 2024 and of its profit 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 balance sheet;
- the statement of cash flows
- the statement of changes in equity; and
- the related notes 1 to 26 (excluding information on regulatory capital, marked "unaudited" in note 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.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

Independent auditor's report to the members of Scottish Widows Unit Trust Managers Limited (continued)

Responsibilities of directors (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management 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 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 regulation including Client Assets, GDPR, Bribery Act, and Financial Services and Markets Act 2000.

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

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

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

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

Independent auditor's report to the members of Scottish Widows Unit Trust Managers Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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.

Peter van Daesdonk ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 January 2025

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Revenue	3	67,014	64,908
Distribution and selling costs	4	(600)	(1,696)
Gross profit		**66,414**	**63,212**
Investment income	5	4,219	6,099
Net (loss) / gain on financial assets at fair value through profit or loss	6	(227)	24
Administrative expenses	7	(52,869)	(52,104)
Finance costs	9	(23)	(63)
Profit before tax		**17,514**	**17,168**
Taxation charge	10	(4,378)	(4,035)
Profit and total comprehensive income for the year		**13,136**	**13,133**

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

The notes set out on pages 21 to 38 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
ASSETS			
Deferred origination costs	11	186	493
Deferred tax assets	12	73	97
Financial assets:			
Financial assets at fair value through profit or loss	13	1,338	1,517
Trade and other receivables	14	26,677	31,708
Cash and cash equivalents	15	84,325	91,354
Total Assets		112,599	125,169
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Company's equity shareholder			
Share capital	16	50	50
Retained profits		81,732	88,596
Total equity		81,782	88,646
Liabilities			
Deferred income	17	118	302
Current tax liabilities	18	4,354	4,013
Provisions for other liabilities and charges	19	—	260
Financial liabilities:			
Trade and other payables	20	26,345	31,948
Total liabilities		30,817	36,523
Total equity and liabilities		112,599	125,169

Retained earnings of the Company includes profit for the year of £13.1 million (2023: £13.1 million).

The notes set out on pages 21 to 38 are an integral part of these financial statements.

The financial statements on pages 17 to 38 were approved by the Board on 28 January 2025.

S T Nyahasha, Director

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before tax		17,514	17,168
Adjusted for:			
Finance costs	9	23	63
Net decrease / (increase) in operating assets and liabilities	21	(653)	5,586
Decrease in deferred income	17	(184)	(807)
Decrease in deferred origination costs	11	307	1,266
Taxation paid		(4,013)	(1,378)
Net cash flows generated from operating activities		12,994	21,898
Cash flows from financing activities			
Dividends paid	22	(20,000)	(75,000)
Finance costs	9	(23)	(63)
Net cash flows used in financing activities		(20,023)	(75,063)
Net decrease in cash and cash equivalents		(7,029)	(53,165)
Cash and cash equivalents at the beginning of the year		91,354	144,519
Net cash and cash equivalents at the end of the year	15	84,325	91,354

The notes set out on pages 21 to 38 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Share capital £'000	Retained profits £'000	Total equity £'000
Balance as at 1 January 2023		50	150,463	150,513
Profit and total comprehensive income for the year		—	13,133	13,133
Dividends paid	22	—	(75,000)	(75,000)
Balance as at 31 December 2023 and 1 January 2024		50	88,596	88,646
Profit and total comprehensive income for the year		—	13,136	13,136
Dividends paid	22	—	(20,000)	(20,000)
Balance as at 31 December 2024		50	81,732	81,782

Not all of the above amounts can be distributed to the equity holder since the Company is required to meet regulatory capital requirements. Further details are given in note 23.

The notes set out on pages 21 to 38 are an integral part of these financial statements.

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

(1) in accordance with the International Accounting Standards (IASs) in conformity with the requirements of the Companies Act 2006 (IFRSs);

(2) in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs; and

(3) under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, as set out in the relevant accounting policies.

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

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in “GBP” (£), which is the Company’s presentation currency. All transactions are in GBP and the Company does not transact in other currencies.

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

Standards and interpretations effective in 2024

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2024 which have had a material impact on the Company.

Future accounting developments

The following pronouncements are not applicable for the year ending 31 December 2024 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Group, and reliable estimates cannot be made at this stage.

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards are being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure and IAS 21 The Effects of Changes in Foreign Exchange Rates. These improvement and amendments are not expected to have a significant impact on the Company.

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

(b) Revenue recognition

Revenue

Revenue, which arose wholly in the United Kingdom, represents the following:

- Net fee income from the sale of shares in OEIC sub funds and other similar fees, are recognised as revenue in the statement of comprehensive income when the Company's performance obligations have been met. These are recognised over a period of time, and settled on a daily basis;
- Net fee remuneration from the management of shares in OEIC sub funds based on fixed rates per shareclass, are recognised as revenue in the statement of comprehensive income when the Company's performance obligations have been met, are recognised over a period of time, and are settled monthly;
- Income received for services to be provided in future periods is deferred and recognised as revenue in the statement of comprehensive income as the service is provided. The Company recognises them on a straight-line basis over the remaining lives of the contracts, settled quarterly. See note 1(n);

1. Accounting policies (continued)

(b) Revenue recognition (continued)

- Interest income from bank account balances are recognised as revenue in the statement of comprehensive income when the Company's performance obligations have been met. These are recognised over a period of time, and are settled monthly or as received.
- Investment Manager Fee rebates from related parties investing in the OEICs managed by the Company, are recognised as revenue in the statement of comprehensive income when the Company's performance obligations have been met. These are recognised over a period of time, settled monthly; and
- Other income, which includes net registration fees and other similar fees, are recognised as revenue in the statement of comprehensive income when the Company's performance obligations have been met, are recognised over a period of time, and are settled daily or as received.

The Company incurs investment management fees in the course of its investment management services as described in accounting policy (c). Where these fees are incurred on OEICs invested in by a related party, the Company recharges a proportion of the fee to that related party as compensation for the investment management service provided. The amount of the fee recharged is calculated as the percentage of the OEIC investment held by the related party.

Fee income, including registration fees and initial charges, and remuneration are recognised as revenue in the statement of comprehensive income when the Company’s performance obligations have been met, which is the period in which the services are provided. If the fees are for services to be provided in future years, these are deferred and recognised in the statement of comprehensive income as revenue as the service is provided.

Net gains and losses on assets and liabilities at fair value through profit or loss

Net gains and losses on assets and liabilities at fair value through profit or loss includes both realised and unrealised gains and losses on units held within the Schroders Short Term Duration Fund. Movements are recognised in the statement of comprehensive income in the period in which they arise.

(c) Expense recognition

Distribution and selling costs

Distribution and selling costs consist of commission paid to acquire new business. Where certain criteria are met, commission and other acquisition costs may be deferred. The circumstances under which such costs are deferred are set out at policy (e).

Administrative expenses

These consist of recharges from group companies and fund management fees that are recognised in the statement of comprehensive income as they accrue.

Finance costs

Interest expense for all interest-bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within finance costs.

(d) Investment income

Interest and dividend income for all interest and dividend bearing financial instruments is recognised in the statement of comprehensive income as it accrues, within investment income.

(e) Deferred origination costs

The costs of commission paid to acquire new business incurred during a financial period but which relate to subsequent financial periods are deferred to the extent that they are recoverable out of future revenue margins. This asset is subsequently amortised over the remaining contractual lifetime of each holding on a straight-line basis. The amortisation charge for the year is recognised through the statement of comprehensive income, within distribution and selling costs. The carrying value of the asset is tested for impairment at each reporting date. Deferred origination costs are split between current and non-current. Current deferred costs run off within the next 12 months and non-current in more than 12 months. The deferred origination costs have a finite life of 12 years based on the products' run off expectation. Further information on the Company’s impairment policy is set out at policy (j).

(f) Financial assets and financial liabilities

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

1. Accounting policies (continued)

(f) Financial assets and financial liabilities (continued)

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

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Transaction costs incidental to the acquisition of a financial asset are expensed through the statement of comprehensive income, within net gains and losses on assets and liabilities at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Fair value methodology

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a 'fair value hierarchy' as follows:

(i) Level 1

Valued using quoted prices in active markets for identical assets and liabilities to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an on-going basis. Examples include listed equities, listed debt securities, Open Ended Investment Companies (OEICs) and unit trusts traded in active markets.

(ii) Level 2

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar (but not identical) instruments in active markets
- Quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers
- Inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates)
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

Examples of these are securities measured using discounted cash flow models based on market observable swap yields such as listed debt and restricted equity securities.

(iii) Level 3

Valuations are based on mathematical models, market prices/data (where available) and subjective assumptions, including unobservable inputs. Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability, for example private equity investments held by the and Company. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Further analysis of the Company's instruments held at fair value is set out at note 23.

1. Accounting policies (continued)

(h) Trade and other receivables

Trade and other receivables at amortised cost are financial assets, other than cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest, a basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

Trade and other receivables at amortised cost are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment. Further information on the Company's impairment policy is set out at policy (j).

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and investments in liquidity funds, which are short-term highly liquid investments with original maturities of three months or less (excluding such investments as otherwise meet this definition but which are held for investment purposes rather than for the purposes of meeting short-term cash commitments).

Holdings in liquidity funds are measured at fair value through profit or loss, with income received recognised in investment income.

The fair value of holdings in liquidity funds is determined as the last published price applicable to the vehicle at the reporting date.

Holdings in liquidity funds are categorised as level 1 in the fair value hierarchy. These assets are valued using quoted prices in active markets for identical assets to those being valued. An active market is one in which similar arm’s length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

(j) Impairment

Financial assets

An impairment charge would be recognised in the statement of comprehensive income, and would include any change in expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. The credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

For financial instruments that are considered to have low credit risk, the credit risk is assumed to not have increased significantly since initial recognition. Financial instruments are considered to have low credit risk when the borrower is considered to have a low risk of default from a market perspective, such as external bank accounts.

The loss allowance for trade receivables without a significant financing component is measured at an amount equal to lifetime expected credit losses, in accordance with the simplified approach in IFRS 9.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

1. Accounting policies (continued)

(j) Impairment (continued)

Non-financial assets

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is charged to the relevant line in the statement of comprehensive income in the period in which it occurs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) 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

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

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

Deferred tax

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, associates and joint arrangements 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.

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.

(l) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Dividends payable

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

(m) Trade and other payables

Trade and other payables are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within trade and other payables.

1. Accounting policies (continued)

(n) Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that the obligation will result in an outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of possible obligations arising is remote.

(o) Deferred income

The Company receives investment management fees in the form of an initial adjustment, or charge, to the amount invested. These fees are in respect of services rendered in conjunction with the issue and management of investment contracts where the Company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the contract.

These services comprise an indeterminate number of acts over the estimated lives of the individual contracts and, therefore, the Company defers these fees and recognises them on a straight-line basis over the remaining lives of the contracts. A finite life of 12 years has been applied based upon the contracts' expected run-off period.

The income is recognised through the statement of comprehensive income, within revenue. The liability is recognised in the balance sheet within deferred income until recognised.

(p) Financial assets at fair value through profit or loss

Classification

Financial asset investment balances comprise the manager’s box holdings in Scottish Widows OEIC funds and investments held through liquidity funds.

Recognition

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty. Investments are initially recognised at cost, being the fair value of the consideration given, and are subsequently re-measured at fair value.

Measurement

The fair values of investments are based on a combination of current bid, mid or offer prices. If the market for a financial asset is not active, fair value is established by using valuation techniques. These include the use of similar arm’s length transactions and reference to other instruments that are substantially the same, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

For equity investments that are quoted and actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the final pricing point on the reporting date. Prices are provided by vendors such as Reuters or Bloomberg or by direct reference to the Stock Exchange.

The fair value of holdings in collective investment vehicles (including OEICs and unit trusts) is determined as the last published price applicable to the vehicle at the reporting date.

2. Critical accounting judgements or key sources of estimation uncertainty

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the company financial statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

3. Revenue

	2024 £'000	2023 £'000
Annual management charges	62,212	60,255
Income / (loss) from unit dealing	50	(67)
Decrease in deferred income liability	184	807
Registration fees and other income	3,543	2,934
Interest income	1,025	979
Total	**67,014**	**64,908**

4. Distribution and selling costs

	2024 £'000	2023 £'000
Commissions payable and other selling costs	293	430
Decrease in deferred origination costs	307	1,266
Total	**600**	**1,696**

5. Investment income

	2024 £'000	2023 £'000
Investment income	4,219	6,099
Total	**4,219**	**6,099**

6. Net (loss) / gain on financial assets at fair value through profit and loss

	2024 £'000	2023 £'000
Net (loss) / gain on financial assets at fair value through profit or loss	(227)	24
Total	**(227)**	**24**

Included in the net (loss) / gain on financial assets at fair value through profit or loss are movements on OEIC fund holdings.

7. Administrative expenses

	2024 £'000	2023 £'000
Recharges from other group companies	31,448	30,933
Investment expenses	18,568	17,357
Custodian and admimistration fees	2,799	2,817
Trustee fees	151	5
Other fees (including provisions for the year)	(97)	992
Total	**52,869**	**52,104**

Administrative expenses relate to the costs incurred in the administration and investment management of ISAs and OEIC shares.

Other fees includes the IFRS 9 provision movement of £0.1 million (2023: £(0.1) million). See Trade Receivables note 14 for the IFRS 9 impairment allowance.

The Company had no direct employees during the year (2023: nil). The employee costs, including pension costs are included in the recharges from other group companies noted above.

8. Auditor remuneration

	2024 £000	2023 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	77	76
Fees payable to the Company's auditors and their associates for other services:		
Audit-related assurance services	123	111
Total fees payable	**200**	**187**

Audit fees for 2023 and 2024 were borne by another Lloyds Banking Group entity and recharged to the Company.

9. Finance costs

	2024 £'000	2023 £'000
Finance costs	23	63
Total	**23**	**63**

10. Taxation charge

(a) Current year tax charge

	2024 £'000	2023 £'000
Current tax:		
UK corporation tax	4,354	4,012
Total current tax	4,354	4,012
Deferred tax:		
Origination and reversal of timing differences	24	23
Deferred tax charge	24	23
Tax charge	**4,378**	**4,035**

Corporation Tax is calculated at a rate of 25.00 per cent (2023: 23.50 per cent) of the taxable profit for the year.

(b) Reconciliation of tax charge

	2024 £'000	2023 £'000
Profit before tax	17,514	17,168
Tax at 25% (2023: 23.5%)	4,378	4,035
Total	**4,378**	**4,035**
Effective rate	25.00%	23.50%

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

11. Deferred origination costs

	2024 £'000	2023 £'000
At 1 January	493	1,759
Amortisation during the year	(307)	(1,266)
At 31 December	**186**	**493**

Of the above total, £0.1 million (2023: £0.2 million) is expected to be recovered more than one year from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

12. Deferred tax assets

The movement in the Deferred tax asset is as follows:

	2024 £'000	2023 £'000
Brought forward	97	120
Charge for the year	(24)	(23)
Total	**73**	**97**

The deferred tax charge in the year comprises the following temporary differences:

	2024 £'000	2023 £'000
Other temporary differences	(24)	(23)
Total	**(24)**	**(23)**

Deferred tax asset comprises:

	2024 £'000	2023 £'000
Other temporary differences	73	97
Total	**73**	**97**

13. Financial assets at fair value through profit or loss

	2024 £'000	2023 £'000
OEIC fund holdings	1,338	1,517
Total investments at fair value	**1,338**	**1,517**

OEIC fund holdings comprise shares held in the OEIC funds that are managed by the Company which are classified at fair value through profit or loss as part of the manager's daily box holdings. Purchases and sales are recognised on the trade date, i.e. the date the Company commits to purchase the asset from, or deliver the asset to, the counterparty.

Interests in unconsolidated structured entities

Interests in unconsolidated structured entities of £1.3 million (2023: £1.5 million) and £73.7 million (2023: £81.5 million) are included in Financial assets at FVTPL and Cash and cash equivalents (note 15) respectively, arising from investments in collective investment vehicles.

The investments are carried at fair value and the Company’s maximum exposure to loss is equal to the carrying value of the investment. At 31 December 2024, the total net assets of unconsolidated collective investment vehicles in which the Company held a beneficial interest were £51.9 billion (2023: £50.6 billion). During the year the Company has not provided any non-contractual financial or other support to these unconsolidated collective investment vehicles.

The Company sponsors a range of collective investment vehicles where it acts as the decision maker over the investment activities and markets the funds under one of Lloyds Banking Group's brands. The Company earns fees from managing the investments of these funds. The investment management fees that the Company earned from these sponsored unconsolidated collective investment vehicles and limited partnerships, including those in which the Company held no interest at 31 December 2024 was £46.9 million (2023: £47.1 million).

14. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	24,154	29,030
Amounts due from group undertakings (see note 24)	1,540	1,716
Other receivables	1,013	1,106
IFRS 9 impairment allowance	(30)	(144)
Total	**26,677**	**31,708**

None of the above balances are interest-bearing or secured (2023: none), and are repayable on demand. Further information in respect of credit risk in relation to trade and other receivables is given in note 23.

Of the above total, £nil (2023: £nil) is expected to be settled more than one year after the reporting date.

15. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows include the following:

	2024 £'000	2023 £'000
Investments held through liquidity funds	73,662	81,505
Cash at bank	10,663	9,849
Total	**84,325**	**91,354**

Cash and cash equivalents does not include client monies held on deposit of £19.0 million (2023: £21.7 million). These amounts are similarly excluded from current liabilities.

Investments held through liquidity funds are used to optimise returns on excess funds held by the Company. Further information in respect of credit risk in relation to cash and cash equivalents is given in note 23.

16. Share capital

	2024 £'000	2023 £'000
Authorised:		
50,000 ordinary shares of £1 each	50	50
Total	**50**	**50**
Issued and fully paid share capital:		
50,000 (2023: 50,000) ordinary shares of £1 each	50	50
Total	**50**	**50**

There were no changes in share capital during the year. All shares rank equally with regard to the Company's residual assets.

17. Deferred income

	2024 £'000	2023 £'000
At 1 January	302	1,109
Amortisation during the year	(184)	(807)
At 31 December	**118**	**302**

Of the above amount, £0.1 million (2023: £0.1 million) is expected to be recovered more than one year from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

18. Current tax liabilities

	2024 £'000	2023 £'000
Current tax liabilities	4,354	4,013
Total	**4,354**	**4,013**

19. Provisions for other liabilities and charges

	2024 £'000	2023 £'000
At 1 January	260	546
Amounts provided during the year	—	260
Amounts utilised in the period	(88)	(546)
Amounts released in the period	(172)	—
At 31 December	**—**	**260**

Of the above total, £nil (2023: £nil) is expected to be settled more than one year after the reporting date.

20. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	15,806	16,965
Amounts due to group undertakings (see note 24)	4,231	4,014
Other payables	6,308	10,969
Total	**26,345**	**31,948**

None of the above balances are interest-bearing or secured (2023: none), and are repayable on demand. Further information in respect of liquidity risk in relation to trade and other payables is given in note 23.

Of the above total, £nil (2023: £nil) is expected to be settled more than one year after the reporting date.

21. Net (increase) / decrease in operating assets and liabilities

	2024 £'000	2023 £'000
Net decrease in operating assets		
Trade and other receivables	5,031	4,720
Financial assets at fair value through profit or loss	179	199
Net decrease in operating assets	**5,210**	**4,919**
Net (decrease) / increase in operating liabilities		
Trade and other payables and provisions	(5,863)	667
Net (decrease) / increase in operating liabilities	**(5,863)**	**667**
Net (increase) / decrease in operating assets and liabilities	**(653)**	**5,586**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

22. Dividends paid

	2024 £'000	2023 £'000
Dividends paid	**(20,000)**	**(75,000)**

During the year an interim dividend of £20.0 million was paid in respect of 2024 (2023: £75.0 million). The dividend paid in the year amounted to £400.00 per share (2023: £1,500 per share). No final dividend is proposed in respect of the year ended 31 December 2024 (2023: £nil).

23. Risk management

The Company is part of Lloyds Banking Group. The principal activity of the Company is that of an Authorised Corporate Director (ACD) of six Open-Ended Investment Companies (OEICs) and one Authorised Contractual Scheme (ACS), and the manager of Individual Savings Accounts (ISAs)

This note summarises the risks associated with the activities of the Company and the way in which they are managed.

Financial risks

During the year, the Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of financial risk are credit, market, capital and liquidity risks.

The market risks that the Company primarily faces due to the nature of its financial assets and financial liabilities are interest rate and equity risk.

The Company manages these risks in a numbers of ways, including risk appetite assessment and monitoring of capital resource requirements.

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The summary of material accounting policy information (note 1) describes how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The timing of the unwind of the deferred tax assets and liabilities is dependent on the timing of the unwind of the temporary timing differences, arising between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes, to which these balances relate.

The sensitivity analyses given throughout this note are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated, for example changes in interest rates and changes in market values. The sensitivity analysis presented also represents management’s assessment of a reasonably possible alternative in respect of each sensitivity, rather than worst case scenario positions.

Market risk is defined as the risk that our capital or earnings profile is affected by adverse market rates.

Market risk is managed in line with the Lloyds Banking Group Market Risk Policy which sets out the principles of the market risk control framework.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23. Risk management (continued)

a) Market risk

Below is an analysis of financial assets and financial liabilities at fair value through profit or loss according to their fair value hierarchy (as defined in note 1 (g)):

As at 31 December 2024

	Fair value hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	1,338	—	—	1,338
Cash and cash equivalents	73,662	—	—	73,662
Total assets	**75,000**	**—**	**—**	**75,000**

As at 31 December 2023

	Fair value hierarchy			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit or loss	1,517	—	—	1,517
Cash and cash equivalents	81,505	—	—	81,505
Total assets	**83,022**	**—**	**—**	**83,022**

In addition to market risk on directly held assets and liabilities, the Company has an exposure to indirect market risk. This arises from the fact that the annual management charges collected and associated costs for the management of the funds fluctuate with the market movements impacting the value of customer funds. For example if the underlying market value of customer funds fell by 10 per cent, profit with regards to investment management services are estimated to fall by £3.3 million (2023: £4.0 million) based on year end values. These are classified as indirect market risks.

(i) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. The sensitivity analysis below illustrates how the fair value of future cash flows in respect of interest-bearing financial assets held by customers will fluctuate because of changes in market interest rates at the reporting date.

	Impact on profit after tax and equity for the year	
	2024 £'000	2023 £'000
25 basis points (2023: 25 basis points) increase in yield curves	(190)	(265)
25 basis points (2023: 25 basis points) decrease in yield curves	190	265
50 basis points (2023: 50 basis points) increase in yield curves	(387)	(540)
50 basis points (2023: 50 basis points) decrease in yield curves	387	540

(ii) Equity risk

The Directors do not believe that the Company has a large exposure to direct equity risk, given the small amount of equity directly held in OEIC holdings. As such equity risk is not considered material.

b) Credit risk

The risk that parties with whom we have contracted, fail to meet their financial obligations (both on and off balance sheet).

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

Credit risk to the Company arises primarily from exposure to trade debtors and financial assets at fair value through profit or loss. Exposure to trade debtors is assessed on a case by case basis, using a credit rating agency where appropriate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

23. Risk management (continued)

b) Credit risk (continued)

Expected credit losses are calculated using three key input parameters: the probability of default (PD) (except for lifetime expected credit losses), the loss given default (LGD) and the exposure at default (EAD). The probability of default and expected loss given default are determined using internally generated credit ratings.

Expected credit losses are measured on a collective basis for certain groups of financial assets, such as trade receivables due from external parties which are considered to be homogenous in terms of their risk of default.

The following table sets out details of the credit quality of financial assets that are neither past due nor impaired:

	2024 £'000	2023 £'000
Trade and other receivables	26,677	31,708
Cash and cash equivalents	84,325	91,354
Total assets bearing credit risk	**111,002**	**123,062**

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

As at 31 December 2024

	Total £'000	AAA £'000	AA £'000	A £'000	Not rated £'000
Stage 1 assets					
Cash and cash equivalents	10,663	—	—	10,663	—
Loans and receivables at amortised cost	26,707	—	—	1,540	25,167
Loss allowance	(30)	—	—	—	(30)
Exposure to credit risk	**37,340**	**—**	**—**	**12,203**	**25,137**
Assets at fair value through profit and loss					
Cash and cash equivalents	73,662	—	—	73,662	—
Total	**111,002**	**—**	**—**	**85,865**	**25,137**

Of the unrated assets; approximately £11.2 million (2023: £14.3 million) relate to payments due from OEICs.

As at 31 December 2023

	Total £'000	AAA £'000	AA £'000	A £'000	Not rated £'000
Stage 1 assets					
Cash and cash equivalents	9,849	—	—	9,849	—
Loans and receivables at amortised cost	31,852	—	—	1,716	30,136
Loss allowance	(144)	—	—	—	(144)
Exposure to credit risk	**41,557**	**—**	**—**	**11,565**	**29,992**
Assets at fair value through profit and loss					
Cash and cash equivalents	81,505	—	—	81,505	—
Total	**123,062**	**—**	**—**	**93,070**	**29,992**

Amounts classified as 'not rated' in the above tables are not rated by Standard and Poor’s or an equivalent rating agency.

23. Risk management (continued)

b) Credit risk (continued)

Exposure to credit risk is concentrated across counterparties as follows:

	2024 Total £'000	2023 Total £'000
Trade and other receivables:		
Amounts due from funds	3,866	3,911
Amounts due from transfer agent	7,367	10,353
Amounts due from trustees	12,809	14,767
Amounts due from group undertakings	1,540	1,716
Other receivables	1,095	961
Cash and cash equivalents:		
Amounts due from group undertakings	10,663	9,849
Other cash and cash equivalents	73,662	81,505
Total	**111,002**	**123,062**

c) Liquidity risk

Liquidity risk is defined as the risk that the Company does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider Lloyds Banking Group Funding and Liquidity Policy.

The following tables indicate the timing of the contractual cash flows arising from the Company's financial liabilities, as required by IFRS 7:

As at 31 December 2024		Contractual cash flows (undiscounted)					
Liabilities	**Carrying amount**	**No stated maturity**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	26,345	—	26,345	—	—	—	—
Total	**26,345**	**—**	**26,345**	**—**	**—**	**—**	**—**

As at 31 December 2023		Contractual cash flows (undiscounted)					
Liabilities	**Carrying amount**	**No stated maturity**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	31,948	—	31,948	—	—	—	—
Total	**31,948**	**—**	**31,948**	**—**	**—**	**—**	**—**

The contractual cash flow analysis set out above has been based on the earliest possible contractual date, regardless of the surrender penalties that might apply and has not been adjusted to take account of such penalties.

d) Capital risk (unaudited)

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

- the Company has insufficient capital to meet its regulatory capital requirements;
- the Company has insufficient capital to provide a stable resource to absorb all losses up to a confidence level defined in the risk appetite;
- the Company loses reputational status by having capital that is regarded as inappropriate, either in quantity, type or distribution; and/or
- the capital structure is inefficient.

23. Risk management (continued)

d) Capital risk (unaudited) (continued)

The business of the Company is regulated by the FCA. The FCA specifies the minimum amount of capital that must be held by the Company in addition to its liabilities.

Within the IP&I Division, capital risk is actively monitored by Insurance, Pensions and Investments Asset Liability Committee (IPIALCO).

The minimum required capital must be maintained at all times throughout the year. These capital requirements and the capital available to meet them are regularly estimated in order to ensure that capital maintenance requirements are being met.

Capital risk is managed in line with the Lloyds Banking Group Capital Risk Policy which sets out the principles of the capital risk control framework.

The Company's objectives when managing capital are:

- to have sufficient further capital to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- to comply with the regulatory capital requirements set out by the FCA in the UK.

The Company's capital comprises all components of equity, movements in which are set out in the statement of changes in equity.

The table below sets out the regulatory capital requirement and the required capital held at 31 December in each year. The current year information is confirmed on approval of the annual report and accounts.

	2024 £'000	2023 £'000
Regulatory capital held	81,523	88,055
Regulatory capital requirement	15,274	14,731

All minimum regulatory requirements were met during the year.

24. Related party transactions

(a) Ultimate parent and shareholding

Scottish Widows Unit Trust Managers Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006, domiciled and registered in England and Wales. The address of the Company's registered office is shown on page 3.

The Company's immediate parent undertaking is Scottish Widows Limited, a Company registered in the United Kingdom.

The parent undertaking which is the parent undertaking of the smallest group to consolidate these Financial Statements is Scottish Widows Limited. Copies of the consolidated Annual Report and Financial Statements of Scottish Widows Limited may be obtained from IP&I Secretariat, The Mound, Edinburgh EH1 1YZ.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24. Related party transactions (continued)

(b) Transactions and balances with related parties

Transactions with other Lloyds Banking Group companies

The Company acts as an Authorised Corporate Director for 50 authorised OEIC sub-funds (2023: 61).

Transactions and balances in respect of these sub-funds are as follows:

	2024 £'000	2023 £'000
OEIC sub funds		
Aggregate total transactions for the year:		
Creations	6,693,036	2,849,889
Cancellations	7,861,808	5,327,835
Aggregate amounts due to trustee and depositary:		
Creations (payable) and cancellations receivable at the year-end	6,740	5,547
Amounts received by the Company		
Gross annual investment management fees*	62,212	60,255
Gross registrar fees	8,354	8,181
Amounts receivable at the year-end:		
Investment management fees	3,867	3,910
Registrars fees	731	695
Managers' box		
Managers' box held at year end	1,338	1,517

*The prior year comparative relating to gross annual investment management fees has been subject to presentational change to include revenue from institutional business incurred of £13.1 million to better reflect the nature of the balance.

Transactions between the Company and other Lloyds Banking Group companies

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

	2024			
	Income during period £'000	Expenses during period £'000	Payable at period end £'000	Receivable at period end £'000
Relationship				
Parent	17,379	26,471	1,036	1,534
Other related parties	—	31,451	3,194	6

	2023			
	Income during period £'000	Expenses during period £'000	Payable at period end £'000	Receivable at period end £'000
Relationship				
Parent	15,146	81,890	241	1,710
Other related parties	—	30,933	3,773	6

In addition to the balances disclosed in the table, balances of £74.6 million (2023: £82.6 million) and income of £4.2 million (2023: £6.1 million) in respect of funds controlled by Lloyds Banking Group meet the definition of related parties. The above balances are unsecured in nature and are expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (CONTINUED)

24. Related party transactions (continued)

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

Transactions between the Company and key management

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

The Executive Directors consider that they receive no remuneration for their services to the Company. The Non-Executive Directors received short-term employee benefits and remuneration in respect of qualifying services totalling £57,740 (2023 – £53,553). None of the Non-Executive Directors are entitled to receive share options, retirement benefits or amounts under long-term incentive schemes.

25. Contingent liabilities and capital commitments

Given the nature of the business the Company undertakes, it may from time to time receive complaints against it. The Company has procedures in place to assess the veracity of the claims and provision has been made to cover its best estimate of the exposure in respect of these matters which requires significant judgement and subjective assumptions. No provisions have been recorded for other contingencies, as the Company's obligations under them are not probable and estimable.

There were no contracted capital commitments at the balance sheet date (2023: £nil).

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2020 HMRC concluded its enquiry into the matter and issued a closure notice denying the group relief claim. The Group appealed to the First Tier Tax Tribunal and the hearing took place in May 2023. In January 2025, the First Tier Tribunal concluded in favour of HMRC. The Group believes that it has applied the rules correctly and that the claim for group relief is correct. Having reviewed the Tribunal's conclusions and taken appropriate advice the Group intends to appeal the decision and does not consider this a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in current tax liabilities of approximately £24.7 million (including interest).

Outsourcing of long-standing customer administration platform

The outsourcing contract signed with Diligenta on 25 September 2017 provides for certain future payments which are contingent on contractual milestones being achieved. £4.1 million (2023: £2.9 million) relating to the share of these future payments may be expensed to the Company as incurred in future periods.

26. Events after the reporting date

There are no events after the reporting date.