Registered No. 02089815

EMBARK SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

EMBARK SERVICES LIMITED

Contents

EMBARK SERVICES LIMITED

Company Information

Directors	C Spencer D A Lowe S C Guild J T Anderson P McMahon
Company secretary	A L Jordan
Registered office	100 Cannon Street London EC4N 6EU
Company registration	02089815
Advisors	Burges Salmon LLP One Glass Wharf Bristol BS2 0ZX
Independent auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

EMBARK SERVICES LIMITED

Strategic Report

Principal activities

Embark Services Limited ("the Company") is a pension scheme administrator which acts as operator to Self-Invested Personal Pensions ("SIPPs"). There have been no changes to the principal activities of the Company throughout the year. The Company is regulated by the Financial Conduct Authority ("FCA"). The Directors are not aware of any planned major changes in the Company's activity in the next year.

Results for the period

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

The resulting profit before tax for the year ended 31 December 2021 was £677k (2020: loss before tax of £644k), with an increase in total revenue to £9,377k (2020: £9,321k).

Client numbers represent the number of clients served by Embark Services Limited. As at 31 December 2021 and 2020, these balances were:

Client Numbers at Year End	2021	Net Change	2020
SIPP	25,545	4,189	21,356
Group SIPP	751	(382)	1,133
SSAS	295	(12)	307
Total	**26,591**	**3,795**	**22,796**

Business review

The Directors are pleased to report another year of positive results for the Company with strong new business growth, particularly through B2B partnerships, and a return to profitability following 2020 losses.

The Directors would like to open this report by acknowledging and thanking the staff for their continued efforts and achievements during the ongoing Covid-19 pandemic and for continuing to ensure that the Company met its regulatory obligations and provided a good service to clients throughout. As highlighted in last year's accounts, the Company did not escape the impact of the pandemic and the continued economic challenges and low interest rates impacted the Company's revenues while new investment opportunities were delayed. It is also with great sadness that I report the Company lost one of its much-loved colleagues in January 2021 at the height of the pandemic.

Existing partnerships all had a successful year and were the driving force behind an increase in total SIPP numbers of 16.9%. 2021 also saw the announcement that Embark Group Limited and its subsidiaries, including this Company, were to be acquired by Lloyds Banking Group, and much of the second half of the year was focussed on preparations for the acquisition, which completed on 31 January 2022.

The bespoke SIPP market continues to be impacted by the factors reported previously, such as the Financial Conduct Authority ("FCA") capital adequacy requirements, the increased costs of professional indemnity insurance and the challenges being made over the suitability of certain types of non-standard assets. The pandemic has also had a negative impact on property rentals for those SIPP members whose investments include property. The Company has recognised a provision for customer redress of £750,000 on 12 cases identified where a negative outcome is likely and aim to settle directly with the customers. We are currently reviewing the wider non-standard investments ("NSI") book to understand any exposure relating to similar business patterns.

As at 31 December 2021, the Company had calculated liquid capital of £3,959k, and surplus regulatory capital of £1,886k giving a capital ratio of 191%. The Company calculates its regulatory capital monthly under the rules prescribed by the FCA and formally reports this to the FCA quarterly.

Future developments

The acquisition by LBG brings opportunities for the Company, both in terms of investing in its people, processes and technology, as well as in renewing its strategy and proposition. Based on the changing demand from consumers for more simple, digital retirement solutions, recent years have seen a shift to technology driven solutions in the marketplace, with simpler investment strategies. That fits this Company's shift into B2B partnerships, a strategy which LBG is also committed to.

EMBARK SERVICES LIMITED

Strategic Report (Continued)

Duty to Promote the Success of the Company in accordance with s172(1) Companies Act 2006

The Company is a wholly owned subsidiary entity of Embark Group Limited and is subject to policies and governance arrangements set by the Group as well as local statutory and regulatory requirements, which take precedence. In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to make disclosures in respect of s.172 of the Companies Act 2006 "Duty to promote the success of the Company" and stakeholder engagement.

During the course of the financial year, the directors consider, both individually and together, that they have acted in a way they consider would be most likely to promote the success of the Company for the benefit of its stakeholders, including shareholder and customers. In particular, the directors have considered the:

- Likely consequences of any decision in the long term.
- Interests of employees.
- Need to foster the Company's business relationships with suppliers, customers, and others.
- Impact of the Company's operations on the community and the environment.
- Desirability of the Company maintaining a reputation for high standards of business conduct.

Long term decisions

The Embark Group is committed to high standards of governance and business conduct for each of its companies. As part of this drive, the Directors and the Nomination Committee reviewed closely the selection of Embark's nominated holders of senior management functions under the SMCR, to ensure that the future Board maintained the right balance of gender, skills, and suitability, so that the Company can continue to deliver its strategy.

Interests of employees

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

It is the Company's policy that employees are kept informed of business performance including presentations by the senior management team and regular departmental and team meetings. Employee surveys are carried out to ascertain the views of employees which can be considered when making decisions that affect their interests. Involvement is encouraged through an employee suggestion scheme.

Stakeholder Relationships and Engagement

Business relationships with suppliers, customers, and others

The Company continues to benefit from the strength of its mature and robust relationships with its suppliers. Throughout the year, the Company has maintained a strong governance framework, in addition to a robust management approach, with processes in place to oversee its suppliers to ensure ongoing compliance with expectations including those which are required to meet regulatory or propositional requirements or are customer outcome focused.

Impact of operations on the community and the environment

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

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

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

Business conduct

To safeguard client money and assets under the administration, the Company has in place appropriate client money (CASS) related controls and processes. The Board and the Group Audit Committee review reports on activities undertaken by outsourced partners and work with them on resolving any issues that may be identified. The Audit Committee oversees the wider internal controls framework from a financial and risk perspective. The Board, in turn, oversees and endorses the activities of the Audit Committee.

The Board and the Risk Committee request regular reports on arrangements put in place for vulnerable customers. Processes are in place to identify vulnerable customers and their needs, monitoring of the outcomes delivered to help vulnerable customers and training delivered to frontline staff and other third parties, all with the view of ensuring they have skills and capabilities to support customers with both transient and permanent vulnerabilities.

EMBARK SERVICES LIMITED

Strategic Report (Continued)

Principal risks and uncertainties

The management of the Company and the execution of the Company's strategy are subject to Board governance against a risk management framework defined at Group level. There is a formal structure for monitoring and managing risks throughout the Group comprising a risk appetite agreed by the Board, detailed risk management policies, independent governance, and risk oversight.

The Board is committed to a continual process of improvement and embedding of the risk management framework within the Group. This ensures that all businesses identify both existing and emerging risks and continue to develop appropriate mitigation strategies.

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

Further details of the risk management framework in place across the Group can be observed in the consolidated financial statements of Embark Group Limited, the Company's ultimate parent undertaking at the reporting date.

This framework considers at a detailed level risks against shareholders' appetite for risk in the following areas:

Strategic Risk
People Risk
Financial Risk
Operational Risk
Legal & Regulatory Risk
Proposition Risk
Distribution Risk

As at the end of 2021, the Directors are comfortable that all risks are well managed, monitored and under control as far as is possible and that they should not hamper the Company's ability to operate and grow safely.

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

C Spencer
Director
For and on behalf of the Board of Directors
11 August 2022

EMBARK SERVICES LIMITED

Directors' Report

The Directors submit their report together with the audited accounts for the year ended 31 December 2021.

Business Review

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

Financial risk management

Details of the Company's financial risk management objectives are given in note 22.

Results for the year and dividends

The profit after taxation for the year ended 31 December 2021 was £294k (2020: loss of £495k). Interim dividends on the ordinary share capital of the company totalling £1,800k were declared and paid during the year (2020: £nil).

The results of the Company are included in the accounts on pages 12 to 15.

Directors

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

C Spencer	
S C Guild	(Appointed 31 January 2022)
D A Lowe	(Appointed 31 January 2022)
J T Anderson	(Appointed 26 May 2022)
P McMahon	(Appointed 26 May 2022)
D J Etherington	(Resigned 4 April 2021)
V P F Cambonie	(Resigned 31 January 2022)
P Downing	(Resigned 31 January 2022)

Employees

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

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees. We aim for our workforce to reflect the diverse communities in which we operate and recognise that diversity is a key part of a responsible business strategy and also supports a strong customer experience. The Company gives full and fair consideration to all applications for employment.

Applications for employment by disabled persons are always fully considered bearing in mind the abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure their employment within the Company continues and that appropriate training and support is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 4. The financial position of the Company, its cash flows, liquidity, and financial position have been reviewed by the Directors for the next 12 months.

Management have prepared detailed forecasts and projections for 2022 and beyond, taking account of reasonably possible downside scenarios. These indicate that the Company will have sufficient financial resources, through funding from its intermediate parent, Scottish Widows Group Limited, to continue to meet its liabilities as they fall due for a minimum of 12 months from the date of approving these financial statements. See note 1 for further detail.

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

Future Developments

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

Directors' Report (Continued)

Political Donations

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

Subsequent events

On 31 January 2022 the Company's immediate parent undertaking, Embark Group Limited, was acquired by Scottish Widows Group Limited. The Company's ultimate parent undertaking with effect from this date is Lloyds Banking Group plc.

In recent months there has been an increase in customer complaints in addition to recent FOS high-profile rulings, which identified failure of SIPP providers to conduct the required level of third-party due diligence in accordance with the FCA guiding principles as a basis for awarding customer compensation. This has led the Company to review its due diligence complaints cases and identified 12 cases where a negative outcome is likely and has made a provision of £750,000 accordingly (note 16) and aim to settle directly with the customers. We are currently reviewing the wider NSI book to understand any exposure relating to similar business patterns.

Statement of Directors' Responsibilities in respect of the Strategic Report, The Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

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

C Spencer
Director
For and on behalf of the Board of Directors
11 August 2022

EMBARK SERVICES LIMITED

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

Qualified Opinion

We have audited the financial statements of Embark Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Within the financial statements the Directors have included a provision of £0.8m for the cost of making redress payments to customers in connection with complaints about third party due diligence conducted on non-standard investments in the Company. The Directors have not yet completed their assessment of the wider Company pension book to determine whether there are any similar historical business patterns to these complaints and so the extent of any further exposure or likely claims amounts for cases in that population and so, the evidence available to us that no additional provision was required was limited. Owing to the inherently account-specific nature of customer claims, we were unable to obtain sufficient appropriate audit evidence by using other audit procedures. Any adjustments would have a consequential effect by increasing the Company's provisions as at 31 December 2021 and reducing its profit for the year then ended.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard.

We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our qualified opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation, as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and risk committee minutes.
- Considering remuneration incentive schemes and performance targets
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular:

- the risk that management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as customer redress; and
- the risk that revenue in respect of annual fees is overstated as it requires judgement to determine how the revenue should be appropriately spread.

We also identified a fraud risk related to the provision for customer redress in response to the high degree of management judgement required in estimating the value of the provision.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries with no description, nil value, and include certain key words which potentially indicate a higher risk;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Comparing the assumptions and methodology applied in estimating the provision for customer redress against relevant external information; and
- Assessing the appropriateness of the Company's policy for deferring revenue and whether the policy has been correctly applied by performing a full recalculation of the year end deferred income balance.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and from inspection of the Company's regulatory correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, GDPR compliance, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

The *Qualified opinion, Strategic report* and *directors' report* and *Matters on which we are required to report by exception* sections of our report explain the implications of the matters described in the *Basis for qualified opinion* on compliance with the requirements of the Companies Act 2006.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- except for the possible consequential effects of the matters described in the Basis for qualified opinion section of our report on the related disclosures in the strategic report and directors' report:
  - we have not identified material misstatements in those reports; and
  - in our opinion those reports have been prepared in accordance with the Companies Act 2006.

- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements.

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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relation to provisions for customer compensation relating to the Company, described in the *Basis for qualified opinion* section of our report:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Alain de Braekeleer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
11 August 2022

EMBARK SERVICES LIMITED

Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	2	9,377	9,321
Administrative expenses		(8,528)	(9,881)
Impairment loss on trade receivables		(102)	(23)
Profit/(Loss) from operations	3	747	(583)
Net investment expense	7	(70)	(61)
Profit/(Loss) before tax		677	(644)
Tax	8	(383)	149
Total comprehensive profit/(loss) for the year		294	(495)

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

The notes on pages 16 to 32 form an integral part of the financial statements.

EMBARK SERVICES LIMITED

Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	5,347	94	333	5,774
Total comprehensive loss for the year	-	-	(495)	(495)
Equity-settled share-based payment transactions	-	(42)	48	6
Balance at 31 December 2020	5,347	52	(114)	5,285
Total comprehensive profit for the year	-	-	294	294
Reduction of share capital	(1,800)	-	1,800	-
Dividend paid to parent	-	-	(1,800)	(1,800)
Equity-settled share-based payment transactions	-	107	22	129
Balance at 31 December 2021	3,547	159	202	3,908

The notes on pages 16 to 32 form an integral part of the financial statements.

EMBARK SERVICES LIMITED

Statement of Financial Position
At 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	9	-	4
Property, plant and equipment	10	4	33
Deferred tax asset	11	-	383
		4	420
Current assets			
Trade and other receivables	12	7,858	7,238
Cash and cash equivalents	13	600	2,964
		8,458	10,202
Total assets		8,462	10,622
Current liabilities			
Trade and other payables	14	(1,896)	(3,163)
Deferred income	15	(1,544)	(1,564)
Provisions	16	(1,109)	(599)
Lease liabilities	17	(5)	(6)
		(4,554)	(5,332)
Net current assets		3,904	4,870
Non-current liabilities			
Lease liabilities	17	-	(5)
		-	(5)
Total liabilities		(4,554)	(5,337)
Net assets		3,908	5,285
Equity			
Capital and reserves			
Share capital	18	3,547	5,347
Capital contribution reserve	19	159	52
Retained earnings	19	202	(114)
Total equity		3,908	5,285

Registered No. 02089815

The notes on pages 16 to 32 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 August 2022. They were signed on its behalf by:

C Spencer
Director

EMBARK SERVICES LIMITED

Statement of Cash Flows
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Net cash from operating activities	20	(488)	918
Investing activities			
Net interest paid		(69)	(43)
Payment to acquire property, plant and equipment		-	(3)
Net cash used in investing activities		(69)	(46)
Financing activities			
Payment of lease liabilities		(7)	(182)
Dividends		(1,800)	-
Net cash outflow from financing activities		(1,807)	(182)
Net increase/(decrease) in cash and cash equivalents		(2,364)	690
Cash and cash equivalents at beginning of year		2,964	2,274
Cash and cash equivalents at end of year	13	600	2,964

The notes on pages 16 to 32 form an integral part of the financial statements.

EMBARK SERVICES LIMITED
Notes to the financial statements

1. Accounting policies

Embark Services Limited (the 'Company') is a Company limited by shares and incorporated and domiciled in the UK. The registered number is 02089815 and the registered address is 100 Cannon Street, London, EC4N 6EU.

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

Basis of preparation

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

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

Going Concern

Management have prepared detailed forecasts and projections for 2022 and beyond, taking account of reasonably possible changes in trading performance. Having assessed the principal risks and the assumptions made and conclusions drawn by management, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The Company has reported an operating profit for the year to 31 December 2021. The Directors have prepared cash flow forecasts for a period beyond 12 months from the date of approval of these financial statements which indicate that, after taking account of reasonably possible downside scenarios, the Company will have sufficient financial resources, through funding from its intermediate parent, Scottish Widows Group Limited, to continue to meet its liabilities as they fall due for a minimum of 12 months from the date of approving these financial statements.

Scottish Widows Group Limited has already provided significant additional equity funding into the Embark Group since acquisition as part of a long-term investment plan in the Group's platform businesses. There remains an undrawn but committed amount of capital within Scottish Widows Group Limited ring-fenced to meet the Group's needs when required. Above this level, the Group's parent has indicated its intention to continue to make available such funds as are needed by the Company during the going concern assessment period allowing for risks that could increase the level of support required beyond currently committed levels. In assessing this support, the Directors have considered the letter of support which is in place from Scottish Widows Group Limited's ultimate parent company Lloyds Banking Group plc as well as the already evidenced intent of support from Scottish Widows Group Limited. This includes the capital injections already made into the Group since acquisition alongside the existence of the committed further amount described above. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Board is satisfied that the company has and will maintain sufficient resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Cash Flow Statement

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

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

New standards and interpretations

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. Other than to expand certain disclosures within the financial statements, the Directors do not expect the adoption of the proposed amendments to accounting standards and interpretations to have a material impact on the financial statements of the Company in future periods.

Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Company which are regularly reviewed by the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. For this purpose, the Chief Operating Decision Maker is the Board of Directors.

The Board of Directors considers the results of the Company as a whole when assessing the performance of the Company and allocating resources. Accordingly, the Company has a single operating segment.

The Company operates solely within the UK and, as such, no geographical analysis is required. The Company is not reliant on any one single customer.

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Allowances for non-recoverability of trade receivables

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

The Directors consider that the carrying amount of loans and receivables, after taking account of related allowances, approximates to their fair value.

Trade receivables that are neither past due nor impaired are considered by the Directors to be credit worthy on the basis that they have been subject to the Company's credit check procedures.

The key assumption in the allowance for non-recoverability of trade receivables is the weighted average loss rate disclosed in note 12. Sensitivity analysis on the key assumption has been performed. A 10% increase in the weighted average loss rate for receivables greater than 9 months old would result in an increase in the loss allowance of £51k.

Determining deferred income under IFRS 15

Management have applied judgement when determining the way in which performance obligations for delivery of services to customers are satisfied over time. These judgements are a fundamental element in dictating the way in which revenue is released to the Statement of Comprehensive Income. When building these judgements management have assessed all available data and resources to ensure the judgements accurately reflect the delivery of service-related performance obligations.

Sensitivity analysis on the key assumption of satisfying performance obligations has been performed. As billing relates to a maximum period of one year and there have been no significant changes in delivery of services during the year, changes to the assumption would not lead to a material impact on the Company's revenue for the year.

Provision for Customer Complaints

There has been an increase in customer complaints in addition to recent FOS high-profile rulings, which identified failure of SIPP providers to conduct the required level of third-party due diligence in accordance with the FCA guiding principles as a basis for awarding customer compensation.

This has led the Company to review all its due diligence complaints cases and we have provided £750,000 for a small number of complaints where we identified that a risk of negative outcome is considered likely, based on the outcome of known cases and where a reliable estimate of the compensation can be made.

We believe it is also appropriate to review the wider pensions book to determine whether there are any similar historical business patterns to these cases which might bring further exposure. Whilst it may be argued that there is a present obligation and a probable outflow of economic resources, the review has only recently been mobilised and to date, 12 cases have been identified and provided for. As the detailed review process is expected to take between nine and twelve months to complete, there is no ability to reliably estimate any additional provision at this stage.

See note 16 for further details.

Profit/Loss from operations

Profit/Loss from operations is stated after the inclusion of all operating items, but before financing costs and income from investments.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue in line with the provision of the service to the customer over the duration of the contract. Revenue recognition for the Company's principal activities is described below:

- Routine activity fees are recognised at a point in time as incurred, net of VAT.
- Initial set up and transaction fees are recognised at a point in time as incurred, net of VAT.
- Annual fees are deferred on the Statement of Financial Position and recognised over time in line with the provision of the service, net of VAT.
- Interest received on cash balances that is in excess of that payable to customers is retained by the Company and is included within revenue, calculated and recognised on an accruals basis.

1. Accounting policies (continued)

Employee benefits

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

Income tax

Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Where the Company has tax losses that can be relieved only by carried-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Statement of Financial Position.

Deferred income tax

Deferred income tax is recognised in respect of temporary timing differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The principal differences arise from trading losses, depreciation of property, plant and equipment and relief on research and development expenditure.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used, and deferred tax liabilities are provided on taxable temporary differences. Deferred tax assets and liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, or the deferred tax liability settled.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle on a net basis.

Intangible assets

Purchased intangible assets and costs directly associated with the development of systems are capitalised as intangible assets where there is an identifiable asset controlled by the Company and will generate future economic benefits in accordance with IAS 38. Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Computer software	3 years

Amortisation rates, methods and the residual values underlying the calculations of amortisation of intangible assets are kept under review to take account of any change in circumstances.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	5 years
Computer equipment	3 years
Furniture and equipment	5 years
Right-of-use assets	Over lease term

Depreciation rates, methods and the residual values underlying the calculations of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

EMBARK SERVICES LIMITED
Notes to the financial statements

1. Accounting policies (continued)

Financial instruments

(i) Classification

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

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

(ii) Recognition and initial measurement

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

Cash and cash equivalents

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

(iii) Subsequent measurement and gains and losses

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

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

(iv) Impairment

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

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

Measurement of ECLs

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

Write-offs

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. Detailed disclosures are provided in note 16.

1. Accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' in the Statement of Financial Position

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Share-based payments

Embark Group Limited, the ultimate parent undertaking, operates long term incentive arrangements in which Company employees have participated. These long-term incentives include share-based employee compensation arrangements. The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, are recognised as an employee benefit expense in the Statement of Comprehensive Income in the year to which the award relates.

The cost of the incentive scheme is based on the fair value of awards on the date of grant. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The assumptions underlying the number of awards expected to vest are subsequently adjusted for the effects of non-market-based vesting to reflect the conditions prevailing at the Statement of Financial Position date. Fair value is measured by the use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

The total expense is charged to the Statement of Comprehensive Income with the associated credit taken to a share option reserve in equity. At the end of the vesting period, upon lapse or forfeit if earlier, this credit is transferred to retained earnings from the share option reserve.

2. Revenue

(i) Disaggregation of revenue

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

Continuing operations	2021 £'000	2020 £'000
Rendering of services, in the UK	9,377	9,321

All revenue arises from the Company's principal activity and represents fees charged and associated revenue earned on the single class of business being pension administration services. Turnover arises entirely in the UK.

Timing of transfer of goods or services:

	2021 £'000	2020 £'000
Products and services transferred at a point in time	1,076	987
Products and services transferred over time	8,301	8,334
	9,377	9,321

(ii) Contract balances

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

	Notes	31 December 2021 £'000	1 January 2021 £'000
Receivables	12	711	577
Contract liabilities	15	1,544	1,564

The contract liabilities primarily relate to the advance consideration received from customers for the rendering of services over an annual period.

The amount of revenue recognised in current period that was included in the contract liability balance at the beginning of the period was £1,564k.

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

2021	Contract liabilities £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	(1,564)
Increases due to cash received, excluding amounts recognised as revenue during the period	1,544
	(20)

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

3. Profit/Loss from operations

Profit/Loss from operations of the Company has been arrived at after charging:

	2021 £'000	2020 £'000
Amortisation of intangible assets (see note 9)	4	7
Depreciation of property, plant and equipment (see note 10)	22	116
Profit on disposal of property, plant and equipment	8	(40)
Auditors' remuneration (see note 4)	93	43
Staff costs (see note 5)	4,742	4,149

EMBARK SERVICES LIMITED
Notes to the financial statements

4. Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the Company's auditors		
Statutory audit of these financial statements	79	30
Non-audit services	14	13
	93	43

5. Staff costs

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

	2021 No.	2020 No.
Management	7	6
Non-management	121	109
	128	115

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	4,004	3,609
Social security costs	394	359
Other pension costs	215	175
Share-based compensation costs	129	6
	4,742	4,149

Staff costs include £1,994k (2020: £964k) recharged to other companies within the Group

6. Directors' emoluments

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

	2021 £'000	2020 £'000
Salaries and fees	235	178
Pension contributions	15	6
Benefits	8	5
	258	189

Emoluments of highest paid Director:

	2021 £'000	2020 £'000
Total emoluments (excluding pension contributions)	164	78
Pension contributions	15	1
Benefits	6	2
	185	81

The number of Directors that accrued benefits under Group pension schemes was 1 (2020: 2).

The total amount paid to Directors of the Company during the year was £938k (2020: £883k). This expense has been allocated across companies within the Group where there are common directorships. The total emoluments of the highest paid Director of the Company was £184k (2020: £275k).

7. Net Investment expense

	2021 £'000	2020 £'000
Interest on bank deposits	-	4
Interest payable and similar charges on bank deposits	(69)	(47)
Interest payable on lease liabilities	(1)	(18)
	(70)	(61)

EMBARK SERVICES LIMITED
Notes to the financial statements

8. Tax

Analysis of tax charge for the year:

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax at 19.00% (2020: 19.00%)	-	-
Total current tax credit	-	-
Deferred tax (note 11):		
Origination and reversal of timing differences	205	(121)
Derecognition of deferred tax asset	299	-
Effect of tax rate change on opening balance	(121)	(28)
Total deferred tax credit	383	(149)
Total tax credit	383	(149)

The effective tax rate for the year is less than (2020: greater than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). This is explained below:

	2021 £'000	2020 £'000
Profit/(Loss) before tax	677	(644)
Tax at the UK corporation tax rate of 19.00% (2019: 19.00%)	129	(122)
Tax effects of:		
Expenses not deductible for tax purposes	27	1
Derecognition of deferred tax asset	299	-
Remeasurement of deferred tax for changes in tax rates	(72)	(28)
Total tax credit	383	(149)

9. Intangible assets

	Computer Software £'000
Cost	
At 1 January 2021	22
At 31 December 2021	22
Accumulated Amortisation	
At 1 January 2021	18
Charge for the period	4
At 31 December 2021	22
Net book value	
At 31 December 2021	-
At 31 December 2020	4

EMBARK SERVICES LIMITED
Notes to the financial statements

10. Property, plant and equipment

	Leasehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 January 2021	823	118	200	1,141
Disposals	(823)	(118)	(168)	(1,109)
At 31 December 2021	-	-	32	32
Accumulated Depreciation				
At 1 January 2021	809	110	189	1,108
Charge for the year	14	2	6	22
Disposals	(823)	(112)	(167)	(1,102)
At 31 December 2021	-	-	28	28
Net book value				
At 31 December 2021	-	-	4	4
At 31 December 2020	14	8	11	33

Property, plant and equipment includes right-of-use assets of £4k (2020; £24k) related to leased assets that do not meet the definition of investment property (see note 17).

11. Deferred tax

Deferred tax assets recognised by the Company and the movements thereon during the current and prior reporting periods.

	2021 £'000	2020 £'000
At 1 January	383	235
Charge	(383)	148
At 31 December	-	383

The deferred tax asset is made up as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	-	9
Short term temporary differences	-	17
Tax losses carried forward	-	357
Balance at 31 December	-	383

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable and at the rate at which they are expected to reverse. Given the uncertainty of the recoverability of the deferred tax asset, the deferred tax asset has been derecognised during the year.

12. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	711	577
Other debtors	1,411	1,307
Prepayments	56	60
Amounts owed from Group Companies	5,680	5,294
	7,858	7,238

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

Trade receivables are non-interest bearing and generally have credit terms ranging from 14 to 30 days. Trade receivables that are neither past due nor impaired are considered by the Directors to be credit worthy on the basis that they have been subject to the Company credit check procedures.

As at 31 December 2021 trade receivables of £569k (2020: £487k) were past due but not impaired for the Company. The ageing analysis of these trade receivables is as follows:

	2021 £'000	2020 £'000
Up to 3 months past due	213	208
3 to 6 months past due	116	91
Over 6 months past due	240	188
	569	487

Expected credit loss assessment

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021.

31 December 2021	Weighted-average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit-impaired
< 9 months past due	0.17%	588	(1)	No
9 – 12 months past due	42.35%	85	(36)	No
> 12 months past due	83.18%	422	(351)	Yes
		1,095	(388)	

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020.

31 December 2020	Weighted-average loss rate	Gross carrying amount £'000	Loss allowance £'000	Credit-impaired
< 9 months past due	0.21%	483	(1)	No
9 – 12 months past due	45.33%	75	(34)	No
> 12 months past due	83.12%	314	(261)	Yes
		872	(296)	

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

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

	2021 £'000	2020 £'000
At 1 January	296	318
Write-offs in the year	(11)	(45)
Increase for the year	102	23
At 31 December	387	296

13. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	600	2,964

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

14. Trade and other payables

	2021 £'000	2020 £'000
Bank overdraft	1,095	952
Trade payables	99	324
Other payables	19	27
Accruals	254	595
Other tax and social security	174	1,168
Amounts owed to Group Companies	255	97
	1,896	3,163

No interest is charged on trade and other payables.

15. Deferred income

	2021 £'000	2020 £'000
Deferred income	1,544	1,564

Deferred income relates to income charged to clients in advance of the period to which the service relates. The related income charged to clients does not become repayable if a contract is terminated before its due date.

16. Provisions

Provisions are recognised for present obligations arising as the consequence of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

The Company held the following provisions at the year-end date:

	Customer Redress Provision £'000
Balance at 1 January 2021	599
Charged/(credited) to the Income Statement	924
Used during the year	(250)
Unused amount reversed during the year	(164)
Increase due to unwinding of discount and other movements	-
Closing provision at 31 December 2021	1,109
Non-current, to be utilised in more than one year	-
Current – to be utilised within one year	1,109
Closing provision at 31 December 2021	1,109

There has been an increase in customer complaints in addition to recent FOS high-profile rulings, which identified failure of SIPP providers to conduct the required level of third-party due diligence in accordance with the FCA guiding principles as a basis for awarding customer compensation. This has led the Company to review its due diligence complaints cases and identified 12 cases where a negative outcome is likely and has made a provision of £750,000, included within the amount charged to the income statement above, and aim to settle directly with the customers. We are currently reviewing the wider NSI book to understand any exposure relating to similar business patterns. The existence and amount of any additional redress other than the 12 cases provided for above cannot be reliably estimated at this early stage of the redress assessment review.

EMBARK SERVICES LIMITED
Notes to the financial statements

17. Leases

Right-of-use assets

Right-of-use assets relate to rented office space and office equipment and are presented as property, plant and equipment. Leases for office space are under contract terms of up to 15 years from the lease start date. Leases for office equipment are under contract terms of up to 6 years from the lease start date.

	Leasehold property £'000	Furniture and equipment £'000	Total £'000
2021			
Balance at 1 January	14	10	24
Depreciation charge for the year	(14)	(5)	(19)
Derecognition of right-of-use assets	-	-	-
Balance at 31 December	-	5	5

Lease liabilities

Maturity analysis – contractual undiscounted cash flows	2021 £'000	2020 £'000
Less than one year	5	7
One to five years	-	5
More than five years	-	-
Total undiscounted lease liabilities at 31 December	5	12

Lease liabilities included in the statement of financial position	2021 £'000	2020 £'000
Current	5	6
Non-current	-	5
Lease liabilities included in the statement of financial position at 31 December	5	11

Amounts recognised in profit or loss

Leases under IFRS 16	2021 £'000	2020 £'000
Interest on lease liabilities	1	18

18. Share capital

	2021 £'000	2020 £'000
Issued and fully paid:		
3,547,000 (2020: 5,347,000) voting ordinary 'A' shares of £1 each	3,547	5,347
	3,547	5,347

All shares were owned 100% by the Company's parent Embark Group Limited.

19. Reserves

	Capital contribution reserve £'000	Retained earnings £'000
Balance at 1 January 2020	**94**	**333**
Total comprehensive loss for the year	-	(495)
Equity-settled share-based payment transactions	(42)	48
Balance at 31 December 2020	**52**	**(114)**
Total comprehensive profit for the year	-	294
Reduction of share capital	-	1,800
Dividend paid to parent	-	(1,800)
Equity-settled share-based payment transactions	107	22
Balance at 31 December 2021	**159**	**202**

20. Notes to the Statement of Cash Flows

	2021 £'000	2020 £'000
Profit/(Loss) from operations	747	(583)
Adjustments for:		
Movement in provisions	91	(22)
Amortisation of intangible assets	4	7
Depreciation on property, plant and equipment	22	116
Adjustments for EMI scheme	129	6
Profit/(Loss) on disposal of property, plant and equipment	8	(40)
Operating cash flows before movements in working capital	1,001	(516)
Increase in receivables	(710)	(956)
(Decrease)/Increase in payables	(779)	2,390
Cash generated from operations	(488)	918
Net cash flow from operating activities	(488)	918

21. Retirement benefit scheme

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

An amount of £215k (2020: £175k) was recognised as an expense for defined contribution plans. The amount is included in staff costs in the Statement of Comprehensive Income.

22. Financial risk management

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

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

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

Credit risk

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

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

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

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

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

	2021 £'000	2020 £'000
Cash and cash equivalents	600	2,964
Trade & other receivables	7,858	7,238
	8,458	10,202

22. Financial risk management (continued)

Market risk

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

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

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

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

Liquidity risk

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

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

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

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

	At 31 December 2021		**At 31 December 2020**	
	Trade payables £'000	**Other Payables £'000**	**Trade payables £'000**	**Other Payables £'000**
< 6 months	99	1,806	324	1,194
Carrying value of liabilities	99	1,806	324	1,194

Capital risk

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

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

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

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

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Notes to the financial statements

23. Share-based payments

Embark Group Limited, the ultimate parent undertaking, operates long term incentive arrangements in which Company employees have participated. These long-term incentives include share-based employee compensation arrangements. The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the Statement of Comprehensive Income in the year to which the award relates.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. It is measured at grant date and spread over the period which is expected to pass before the employees become unconditionally entitled to the shares. The total expense is charged to the Statement of Comprehensive Income with the associated credit taken to a share option reserve in equity. At the end of the vesting period, upon lapse or forfeit if earlier, this credit is transferred to the Statement of Comprehensive Income from the share option reserve.

The cost of the incentive scheme is based on the fair value of awards on the date of grant. The value is arrived at using an option pricing model taking into account the terms and conditions upon which the options were granted.

The terms and conditions of grants are as follows:

Grant Date	Employees	Granted By	Accounting Method	Number of instruments	Vesting Conditions	Expiry Date
5th April 2011	Key Staff	Embark Group Limited	Equity	14,400	Sale or listing of business	5th April 2021 or 40 days after sale or listing
26th June 2015	Key Staff	Embark Group Limited	Equity	11,000	Sale or listing of business	5th April 2021 or 40 days after sale or listing
5th April 2016	Key Staff	Embark Group Limited	Equity	30,609	Sale or listing of business	5th April 2021 or 40 days after sale or listing
5th April 2017	Key Staff	Embark Group Limited	Equity	7,762	Sale or listing of business	7 years of vesting
31st March 2018	Key Staff	Embark Group Limited	Equity	5,225	Sale or listing of business	7 years of vesting
31st March 2019	Key Staff	Embark Group Limited	Equity	3,444	Sale or listing of business	7 years of vesting
9th December 2020	Key Staff	Embark Group Limited	Equity	3,220	EBITDA and individual performance	7 years of vesting
7th June 2021	Key Staff	Embark Group Limited	Equity	1,218	EBITDA and individual performance	7 years of vesting
28th July 2021	Key Staff	Embark Group Limited	Equity	326	Sale or listing of business	7 years of vesting

The number and weighted average exercise price of share options is as follows:

	2011		2015		Equity Incentive Plan		2018	
	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)
Outstanding at the beginning of the year	597	8.87	1,250	14.35	2,612	14.35	3,988	5.32
Exercised during the year	-	8.87	-	14.35	-	14.35	-	5.32
Vested during the year	-	8.87	-	14.35	-	14.35	3,988	5.32
Lapsed during the year	597	8.87	750	14.35	-	14.35	-	5.32
Granted during the year	-	8.87	-	14.35	-	14.35	-	5.32
Outstanding at the end of the year	-	8.87	500	14.35	2,612	14.35	-	5.32

	2019		2020		2021			
	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)	Share options No.	Weighted average exercise price (£)
Outstanding at the beginning of the year	3,594	6.72	3,220	20.89	-	77.20	-	289.82
Exercised during the year	-	6.72	-	20.89	-	77.20	-	289.82
Vested during the year	966	6.72	-	20.89	-	77.20	-	289.82
Lapsed during the year	-	6.72	-	20.89	-	77.20	-	289.82
Granted during the year	-	6.72	-	20.89	1,218	77.20	326	289.82
Outstanding at the end of the year	2,628	6.72	3,220	20.89	1,218	77.20	326	289.82

The net expense recognised in the year arising from equity-settled share-based payments is £128,506 (2020: £6,441).

The net expense recognised in the year arising from equity-settled share-based payments for Directors of the Company is £23,390 (2020: £4,242).

23. Share-based payments (continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of the services received is measured using a Black-Scholes model. Measurement inputs and assumptions applied in determining the fair value of the share options are as follows:

	2011	2015	EIP	2018
Share price at grant date	£8.87	£14.35	£14.35	£36.77
Exercise price	£8.87	£14.35	£14.35	£45.97
Expected volatility	32%	32%	32%	30.5%
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	1.60%	1.60%	1.60%	1.60%
Expected option life to exercise	3 years	3 years	3 years	3 years
Estimated vesting period	3 years	3 years	3 years	3 years
Fair value per option	£1.94	£1.00	£1.00	£1.00

	2019	2020	June 2021	July 2021
Share price at grant date	£35.28	£119.16	£254.30	£290.81
Exercise price	£39.07	£119.16	£199.75	£1.00
Expected volatility	30.9%	29.3%	28.7%	28.7%
Expected dividend yield	0%	0%	0%	0%
Risk free interest rate	1.60%	1.00%	1.00%	1.00%
Expected option life to exercise	3 years	25 months	31 months	6 months
Estimated vesting period	3 years	25 months	31 months	6 months
Fair value per option	£1.00	£1.00	£1.00	£1.00

The expected life of the options is based on the Directors' review of the market situation and their expectations regarding a future sale of the business. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not be the case. The expected volatility used in calculations is the average of the historical volatilities for a range of similar companies where data is available. As the Company is a private company and its shares are not quoted on any recognised Stock Exchange, no reference price exists for the share price at the date of exercise of the options.

24. Related party transactions

During the period, the Company entered into the following transactions with related parties:

The Company paid commercial rents totalling £nil (2020: £91k) for premises in Leicester. These premises are owned by a combined pension scheme in which one of the Directors of the ultimate parent undertaking has a significant interest.

The Company has been charged by its fellow subsidiary, Embark Corporate Services Limited, £1,730k (2020: £2,020k) for finance, marketing, facilities, HR, compliance & legal and senior management costs and £1,287k (2020: £1,845k) for the use of pension administration software owned by Embark Corporate Services Limited. At the year-end there was a balance owing to Embark Corporate Services Limited of £194k (2020: £84k).

The Company has been charged by its fellow subsidiary, Rowanmoor Executive Pensions Limited, £269k (2020: £265k) for administration of its SSAS portfolio. At the year-end there was a balance owing to Rowanmoor Executive Pensions Limited of £37k (2020: balance owing from Rowanmoor Executive Pensions Limited of £75k).

The Company has charged its fellow subsidiary, EBS Pensions Limited, £326k (2020: £241k) for administration of its SIPP portfolio. At the year-end there was a balance owing from EBS Pensions Limited of £33k (2020: £31k).

The Company has been charged by its fellow subsidiary, The Adviser Centre Limited, £nil (2020: £99k) for due diligence and actuarial services. At the year-end there was a balance owing to The Adviser Centre Limited of £nil (2020: nil).

The Company has been charged by its fellow subsidiary, Embark Investments Limited, £117k (2020: £39k) for due diligence and actuarial services. At the year-end there was a balance owing to Embark Investments Limited of £13k (2020: £13k).

The Company has been charged by its parent, Embark Group Limited, £202k (2020: £186k) for Executive Management costs. At the year-end there was a balance owing from Embark Group Limited of £5,576k (2020: £5,173k).

25. Parent undertaking and controlling party

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

26. Subsequent events

On 31 January 2022 the Company's immediate parent undertaking, Embark Group Limited, was acquired by Scottish Widows Group Limited. The Company's ultimate parent undertaking with effect from this date is Lloyds Banking Group plc. The acquisition represented a crystallising event for open share options at year end (see note 23).