

Halifax Financial Services Limited

**Annual report and accounts
for the year ended 31 December 2014**

Registered office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Registered number

2045934

Directors

J M Black
J E Clatworthy
G M Norton

Company Secretary

Lloyds Secretaries Limited

Member of Lloyds Banking Group

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Directors' report

For the year ended 31 December 2014

The directors present their report and the audited financial statements of Halifax Financial Services Limited ("the Company") for the year ended 31 December 2014.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 2045934).

The principal activity of the Company is dealing with the receiving and repayment of commission on existing business on behalf of fellow subsidiaries of Lloyds Banking Group plc ("the Group").

The Company is funded entirely by other companies within the Group.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The financial risk management objectives and policies of the Company and the exposure to credit, market and financial soundness risk are set out in note 12.

Key performance indicators ("KPIs")

The directors are of the opinion that the information presented in the financial statements provides the management information necessary for the directors to understand the development, performance and position of the business of the Company.

The Company also forms part of the Insurance Division of the Group. The development, performance and position of this Division are discussed in the Group's financial statements, which do not form part of these financial statements.

Future outlook

The directors consider that the Company's activities will continue unchanged in the foreseeable future.

Dividends

No dividends were paid or proposed during the year ended 31 December 2014 (2013: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on the cover.

The following changes have taken place during the year:

J M Black	(appointed 27 January 2014)
S J McGee	(resigned 4 November 2014)
G M Norton	(appointed 4 November 2014)
A M Parsons	(resigned 27 January 2014)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, including former directors who retired during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the directors 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 contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are 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.

Directors' report (continued)

For the year ended 31 December 2014

Statement of directors' responsibilities

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each director in office at the date 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
- the 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.

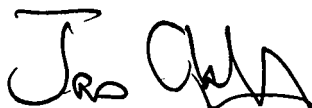
This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Approved by the board of directors and signed by its order by:



J E Clatworthy
Director

15 June

2015

Independent auditors' report to the member of Halifax Financial Services Limited

Report on the financial statements

Our opinion

In our opinion, Halifax Financial Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Halifax Financial Services Limited's financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the member of Halifax Financial Services Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Adam Beasant (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

5 July

2015

Statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Interest income		3	1
Fees and commission income	3	56	67
Profit before tax	4	59	68
Taxation	7	(13)	(12)
Profit for the year attributable to owners of the parent, being total comprehensive income		46	56

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

Balance sheet

As at 31 December 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Cash and cash equivalents	8	297	487
Other current assets	9	60	-
Current tax asset		-	21
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Total assets		357	508
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LIABILITIES			
Borrowed funds	10	-	215
Current tax liability		13	-
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Total liabilities		18	215
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EQUITY			
Share capital	11	100	100
Retained earnings		239	193
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Total equity		339	293
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Total equity and liabilities		357	508

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

The financial statements were approved by the board of directors and were signed on its behalf by:



J E Clatworthy
Director

15 June

2015

Statement of changes in equity

For the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2013	100	137	237
Profit for the year being total comprehensive income	-	56	56
At 31 December 2013	100	193	293
Profit for the year being total comprehensive income	-	46	46
At 31 December 2014	100	239	339

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

Cash flow statement

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flows (used in)/generated from operating activities		
Profit before tax	59	68
Adjustments for:		
- Net (decrease)/increase in Amounts due to group undertakings	(270)	33
Cash (used in)/generated from operations	(211)	101
Group relief received	21	-
Net cash (used in)/generated from operating activities	(190)	101
Change in cash and cash equivalents	(190)	101
Cash and cash equivalents at beginning of year	487	386
Cash and cash equivalents at end of year	297	487

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

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

There are no new IFRS pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2014 and which have not been applied in preparing these financial statements are given in note 16. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Revenue

Revenue, which arose wholly in the United Kingdom, is recognised in the period in which it accrues. Revenue consists entirely of commission received from the sale of insurance and unit trust products offset by commission refunds arising due to policy lapses in the period.

The Company cannot determine the numerical amount of future refunds and for this purpose no provision has been recognised for likely future payments that will be offset against revenue.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1.4 Impairment

Financial assets

The carrying value of all financial assets held at amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable fair prices and expected net selling prices.

In order to determine whether financial assets are impaired, all financial assets for which the fair value has fallen below the recoverable amount are individually assessed using the factors above.

1.5 Cash and cash equivalents

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

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies (continued)

1.6 Taxation

Tax on the profit or loss for the year is recognised in the Statement of comprehensive income within Taxation and comprises only current tax. No provision for deferred tax is required under IAS 12 "Income Taxes" as no timing differences arise which would result in deferred tax on assets and liabilities.

Current tax is the expected tax receivable on the taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, together with adjustments to estimates in prior years.

1.7 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.

2. Critical accounting estimates and judgements in applying accounting policies

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

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

3. Fees and commission income

	2014 £'000	2013 £'000
Commission income	56	70
Commission refund	-	(3)
Net fees and commission income	56	67

4. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £3,000 (2013: £3,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2013: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2013: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 13).

7. Taxation

	2014 £'000	2013 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	13	16
- Adjustments in respect of prior years	-	(4)
Current tax charge	13	12

Corporation tax is calculated at a rate of 21.50% (2013: 23.25%) of the taxable profit for the year.

Notes to the financial statements

For the year ended 31 December 2014

7. Taxation (continued)

b) Factors affecting the tax charge for the year

Where taxation on the Company's profit for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 21.5% (2013: 23.25%), the differences are explained below:

	2014 £'000	2013 £'000
Profit before tax	59	68
Tax charge thereon at UK corporation tax rate of 21.50% (2013: 23.25%)	13	16
Factors affecting charge:		
- Adjustments in respect of prior years	-	(4)
Tax on profit on ordinary activities	13	12
Effective rate	21.5%	17.6%

The Finance Act 2013 ("the Act") was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

8. Cash and cash equivalents

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

	2014 £'000	2013 £'000
Cash held with Bank of Scotland plc (see note 13)	297	487

9. Other current assets

	2014 £'000	2013 £'000
Amounts due from group undertakings (see note 13)	60	-

Amounts due from group undertakings are unsecured, repayable on demand and non-interest bearing.

10. Borrowed funds

	2014 £'000	2013 £'000
Amounts due to group undertakings (see note 13)	-	215

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

11. Share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
100,000 ordinary shares of £1 each	100	100

Notes to the financial statements (continued)

For the year ended 31 December 2014

12. Risk Management Policy

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

12.1 Governance framework

The Company is part of the Insurance division within the Group, which has established a risk management function with responsibility for implementing the risk management framework within the Group.

The approach to risk management ensures that there is effective independent checking or "oversight" of key decisions through the operation of a "three lines of defence" model. The first line of defence is line management, who have direct accountability for risk decisions. Risk provide oversight and challenge and form the second line of defence. Internal Audit constitutes the third line of defence, which provides the required independent assurance to the Audit Committee and the Board that risks within the Group are recognised, monitored and managed within acceptable parameters.

An enterprise wide risk management framework for the identification, assessment, measurement and management of risk is in place. The framework is in line with Group's risk management principles and covers the full spectrum of risks that the Company is exposed to. Under this framework, risks are categorised according to an approved Group risk language which has been adopted across the Group. This covers the principal financial risks faced by the Group, including the exposures to market, insurance, credit and financial soundness risk. The performance of the Company and the strategic management of the business depend on its ability to manage these risks.

Responsibility for the management of risk resides with the Board of the Company, which has delegated its authority to the Insurance Executive Committee.

Policy owners, identified from appropriate areas across the business, are responsible for drafting the Group risk policy, for ensuring that they remain up to date and for facilitating any changes. These policies are subject to at least an annual review, or earlier if deemed necessary. Limits are prescribed within which those responsible for the day to day management of the Company can take decisions. Line management are required to follow prescribed reporting procedures to the bodies responsible for monitoring compliance with policy and controlling the risks.

12.2 Financial risks

The Company is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are credit risk and market risk.

Financial assets and financial liabilities are measured on an ongoing basis at amortised cost. Descriptions of how the various classes of financial instruments are measured, as well as how income and expenses are recognised, can be found under note 1.

The timing of the unwind of the deferred tax liability 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 in respect of interest rate risk is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in an assumption may be correlated. The sensitivity analysis presented also represents, in accordance with the requirements of IFRS 7, management's assessment of the most likely other outcomes in respect of each sensitivity, rather than worst case scenario positions.

Credit risk

Credit risk is the risk of reductions in earnings and/or value, through financial or reputational loss, as a result of the failure of the party with whom the Company has contracted to meet its obligations.

Credit risk is managed in line with the Insurance Credit Risk Policy and the wider Group Credit Risk Policy.

There were no past due or impaired financial assets at 31 December 2014 (2013: none). No terms in respect of financial assets had been renegotiated at 31 December 2014 or 31 December 2013.

Market risk

Market risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. This risk typically arises from fluctuations in market prices (equity and property risk), market interest rates (interest rate risk) and foreign exchange rates (foreign exchange risk), whether such changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Notes to the financial statements (continued)

For the year ended 31 December 2014

12. Risk Management Policy (continued)

12.3 Financial soundness risk

Financial soundness risk covers the risk of financial failure, reputational loss or loss of earnings and/or value arising from a lack of liquidity, funding or capital and/or the inappropriate recording, reporting or disclosure of financial, taxation and regulatory information.

Financial and regulatory reporting, tax and disclosure risk

The Company is exposed to the risk that policies and procedures are not sufficient to maintain adequate books and records to support statutory, regulatory and tax reporting and to prevent and detect financial reporting fraud.

Lloyds Banking Group plc has developed procedures to ensure that compliance with both current and potential future requirements are understood and that policies are aligned to its risk appetite. Lloyds Banking Group plc maintains a system of internal controls, consistently applied, providing reasonable assurance that transactions are recorded and undertaken in accordance with delegated authorities that permit the preparation and disclosure of financial statements and tax returns in accordance with IFRSs, statutory and regulatory requirements.

Lloyds Banking Group plc undertakes a programme of work designed to support an annual assessment of the effectiveness of internal controls over financial reporting, to identify tax liabilities and to assess emerging legislation and regulation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its financial commitments as they fall due, or can secure them only at an 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 Group Funding and Liquidity Risk policy.

Capital risk

Capital risk is defined as the risk that:

- 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.

The Company's objectives when managing capital are to have sufficient capital to safeguard the Company's ability to continue as a going concern.

The Company manages the capital structure and makes adjustments to reflect changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets.

The Company's capital comprises all components of equity, movements in which are set out in the Statement of changes in equity. The Company receives most of its funding from its parent and does not raise funding externally.

Notes to the financial statements (continued)

For the year ended 31 December 2014

13. Related party transactions

The Company is controlled by Halifax Financial Services (Holdings) Limited. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income for the year are set out below.

	2014 £'000	2013 £'000
Amounts due from group undertakings		
Bank of Scotland plc (see note 9)	60	-
Amounts due to group undertakings		
Bank of Scotland plc (see note 10)	-	215
Cash and cash equivalents held with group undertakings		
Bank of Scotland plc (see note 8)	297	487
Interest income		
Bank of Scotland plc	3	1

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

UK Government

In January 2009, the UK Government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. As at 31 December 2014, HM Treasury retained a significant interest in Lloyds Banking Group plc's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended 31 December 2014.

14. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2013: £nil).

15. Post balance sheet events

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

16. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2014 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued December 2013)	A collection of amendments to IFRSs from the 2010 - 12 and 2011 - 13 cycle of the annual improvements projects.	Annual periods beginning on or after 1 July 2014.

Notes to the financial statements (continued)

For the year ended 31 December 2014

16. Future developments (continued)

Pronouncement	Nature of change	Effective date
IFRS 9 Financial Instruments: Classification and Measurement ¹	Replaces those parts of IAS 39 Financial Instruments: Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2018.

1. At the date of this report, this pronouncement was awaiting EU endorsement.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements.

17. Ultimate parent undertaking and controlling party

The immediate parent company is Halifax Financial Services (Holdings) Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.