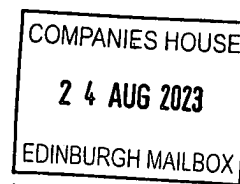


Halifax Financial Services Limited

Annual report and financial statements
for the year ended 31 December 2022

Registered office

Trinity Road
Halifax
West Yorkshire
HX1 2RG



Registered number

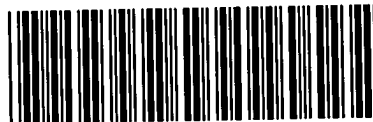
02045934

Current directors

M B Bhutta
J E Rowlands

Company Secretary

Lloyds Secretaries Limited



SCAKA9H4

SCT

24/08/2023

#56

COMPANIES HOUSE

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2022

The Directors present the annual report and audited financial statements of Halifax Financial Services Limited (the "Company") for the year ended 31 December 2022.

The Company is a wholly owned subsidiary of Halifax Financial Services (Holdings) Limited and part of the Insurance, Pensions and Investments (IP&I) Division of Lloyds Banking Group (the Group).

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

General information

The Company is a private company limited by shares, incorporated in United Kingdom, domiciled in England and registered in England and Wales (registered number: 02045934).

Principal activity

The principal activity of the Company was dealing with the receipt of commission on existing business on behalf of fellow subsidiaries of Lloyds Banking Group plc. No new business is being written.

Company performance

The result of the Company for the year ended 31 December 2022 is a result after taxation of £nil (2021: £2,000 loss) for the year as set out in the Statement of comprehensive income on page 4.

The total net assets of the Company at 31 December 2022 are £474,000 (2021: £474,000).

During the year, £nil of dividends were paid (2021: £nil). No final dividend is proposed in respect of the year ended 31 December 2022 (2021: £nil).

Key performance indicators (KPIs)

Given the fact that the Company is no longer accepting new business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

The development, performance and position of the Insurance, Pensions & Investments Division are presented within LBG's annual report, which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 11 to the financial statements.

Other significant uncertainties are discussed in detail below.

Long term impact of the United Kingdom's exit from the European Union

Uncertainties in respect of the medium to long-term implications of the United Kingdom's (UK) exit from the European Union (EU) on trade, regulation and employment continue to present risks. This includes impacts on supply chains, affordability of goods and services and UK demographics and prosperity. The Directors believe that there will be limited impact on the Company.

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This has created significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber attacks and an increase in costs associated with such cyber attacks, all of which could have a materially adverse effect on the Group's results of operations, financial condition or prospects. The Group will monitor the situation and risks to the business. The Directors believe that there will be limited impact on the Company.

Future outlook

It is the intention of the Directors to place the Company into voluntary liquidation as soon as practicable.

Directors' report (continued)

For the year ended 31 December 2022

Directors

The names of the current Directors are listed on the front cover.

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and financial statements:

S W Lowther	(resigned 31 December 2022)
M B Bhutta	(appointed 31 December 2022)

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Directors' indemnities

Lloyds Banking Group plc (LBG) has granted deeds of indemnity by deed poll and by way of entering into individual deeds, which for the purposes of the Companies Act 2006 constitute 'qualifying third-party indemnity provisions' to the Directors of its subsidiary companies, including those of the Company and its subsidiaries. Such deeds were 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 join 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 indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Company has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Going concern

As there is the intention to liquidate the Company as soon as is possible, the financial statements have been prepared on a basis other than going concern as described in note 1 to the financial statements. There would be no difference to asset values between a going concern basis and a basis other than going concern under the historical cost convention.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual 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 are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the result of the company for that period.

In preparing these financial statements, the Directors are required to:

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

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

Directors' report (continued)

For the year ended 31 December 2022

Statement of disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have 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 auditor is aware of that information.

Independent auditor

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

Approved by the Board of Directors and signed on its behalf by:



J E Rowlands
Director

25 July 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	4	-	6
Other operating expenses	5	-	(7)
Result/(loss) before tax		-	(1)
Taxation	7	-	(1)
Result/(loss) after tax, being total comprehensive expense		-	(2)

The notes set out on pages 8 to 13 are an integral part of these financial statements.

Balance sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Cash and cash equivalents	8	483	484
Total assets		483	484
LIABILITIES			
Amounts due to group undertakings	9	9	9
Current tax liability		-	1
Total liabilities		9	10
EQUITY			
Share capital	10	100	100
Retained earnings		374	374
Total equity		474	474
Total equity and liabilities		483	484

The accompanying notes set out on pages 8 to 13 are an integral part of these financial statements.

The financial statements on pages 4 to 7 were approved by the Board on 25 July 2023, and signed on behalf of the Board:



J E Rowlands
Director

25 July 2023

Statement of changes in equity

For the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	100	376	476
Loss for the year being total comprehensive expense	-	(2)	(2)
At 31 December 2021 and 31 December 2022	100	374	474

The notes set out on pages 8 to 13 are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows used in operating activities		
Result/(loss) before tax	-	(1)
Cash used in operations	-	(1)
Tax paid	(1)	(3)
Net cash used in operating activities	(1)	(4)
Change in Cash and cash equivalents	(1)	(4)
Cash and cash equivalents at beginning of year	484	488
Cash and cash equivalents at end of year	483	484

The notes set out on pages 8 to 13 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Basis of preparation

Halifax Financial Services Limited (the "Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in Scotland. The registered office can be found on the front page and its principal activity is included in the directors report.

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial information has been prepared under the historical cost convention.

In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

No new IFRS pronouncements which have been adopted resulted in a material impact within these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2022 and which have not been applied in preparing these financial statements are given in note 15. No standards have been early adopted.

As there is the intention to liquidate the Company as soon as is possible, the financial statements have been prepared on a basis other than going concern. There would be no difference to asset values between a going concern basis and a basis other than going concern under the historical cost convention.

2. Accounting policies

The Company's accounting policies are set out below. These accounting policies have been applied consistently.

2.1 Income recognition**Interest income**

Interest income for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues, within Finance income.

2.2 Financial assets and liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings.

All financial assets and financial liabilities are stated at amortised cost.

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

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

2.3 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and short-term highly liquid investments with original maturities of three months or less.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)**2.4 Taxation**

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

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

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

2.5 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.

2.6 Dividends

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

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions 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.

In the course of preparing these financial statements, no critical judgements or estimates have been made in the process of applying the Company's accounting policies.

4. Revenue

	2022 £'000	2021 £'000
Renewal commission income	-	6

5. Other operating expenses

	2022 £'000	2021 £'000
Legal recharge	-	(7)

6. Loss before tax

Fees payable to the Company's auditors for the audit of the financial statements of £9,465 (2021: £9,014) have been borne by a fellow group company and are not recharged to the Company.

The Company did not have any employees during the year (2021: none).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also Directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Taxation

	2022 £'000	2021 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable result/(loss) for the year	-	1

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

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

	2022 £'000	2021 £'000
Result/(loss) before tax	-	(1)
Tax charge thereon at UK corporation tax rate of 19.00% (2021: 19.00%)	-	-
Factors affecting charge:		
- Timing differences not recognised	-	1
Tax charge on loss	-	1
Effective rate	0.00%	(144.37%)

8. Cash and cash equivalents

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

	2022 £'000	2021 £'000
Cash held with Bank of Scotland plc (see note 12)	483	484

9. Amounts due to group undertakings

	2022 £'000	2021 £'000
Amounts due to group undertakings (see note 12)	9	9

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

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Share capital

	2022 £'000	2021 £'000
Allotted, issued and fully paid		
100,000 (2021: 100,000) ordinary shares of £1 each	100	100

11. Financial risk management

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

The Company is exposed to a range of financial risks through its financial assets and financial liabilities.

11.1 Market risk

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

11.2 Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and the shape of the yield curve. Interest rate risk arises in respect of cash balances which are invested in a cash fund. None of the other financial assets or financial liabilities of the Company are interest-bearing.

If interest rates were to increase or decrease by 25 basis points, the impact on profit before tax is considered to be immaterial in respect of interest bearing cash balances.

11.3 Credit risk

Credit risk is the risk that counterparties with whom we have contracted fail to meet their financial obligations. The Company holds cash and cash equivalents due from Bank of Scotland plc of £483,000 (2021: £484,000), which has a credit rating of A+ using Standard & Poor's rating or equivalent. There were no past due or impaired financial assets as at 31 December 2022 (2021: none). No terms in respect of financial assets had been renegotiated at 31 December 2022 (2021: none).

11.4 Capital risk

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

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

The Company's objectives when managing capital are to ensure that sufficient capital is available to safeguard the Company's ability to support business activities until liquidation occurs.

The Company's capital comprises all components of equity of £474,000 (2021: £474,000), movements in which are set out in the Statement of changes in equity.

11.5 Liquidity risk

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

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

The following table analyses the maturity of the Company's contractual cash flows for financial liabilities. The table is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company is obliged to pay. The table includes both interest and principal cash flows.

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Financial risk management (continued)**11.5 Liquidity risk (continued)****As at 31 December 2022**

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Amounts due to group undertakings	9	-	-	-	-	9

As at 31 December 2021

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Amounts due to group undertakings	9	-	-	-	-	9

12. Related party transactions

The Company's immediate parent undertaking is Halifax Financial Services (Holdings) Limited, a Company registered in the United Kingdom. Halifax Financial Services (Holdings) Limited has taken advantage of the provisions of the Companies Act 2006 and has not produced consolidated Financial Statements.

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

				2022 £'000	2021 £'000
Amounts due from group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Cash and cash equivalents	Bank of Scotland plc	N/A	N/A	483	484
Total Amounts due from group undertakings (see note 8)				483	484

Amounts due to group undertakings

Nature of transaction	Related party	Repayment	Interest		
Trade and other payables	Bank of Scotland plc	N/A	N/A	9	9
Total amounts due to group undertakings (see note 9)				9	9

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

The registered offices of related parties are noted below:

Related party	Related party relationship	Registered address
Halifax Financial Services (Holdings) Limited	Parent Company	Trinity Road, Halifax, HX1 2RG
Lloyds Banking Group plc	Ultimate parent company	The Mound, Edinburgh, EH1 1YZ
Bank of Scotland plc	Fellow group company	The Mound, Edinburgh, EH1 1YZ

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Related party transactions (continued)**Key management personnel**

There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are all Directors and Insurance, Pensions and Investments Executive Committee members. There were no transactions between the Company and key management personnel during the current or preceding year.

13. Contingent liabilities and capital commitments

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013, HMRC informed the Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. The Group's interpretation of the rules has not changed and, following an appeal to the First Tier Tax Tribunal, a hearing was held in May 2023 with judgement awaited. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the company of approximately £6,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

14. Post balance sheet events

There are no post balance sheet events.

15. Future developments

The following pronouncements are not applicable for the year ending 31 December 2022 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2023 (including IAS 1 Presentation of the financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors).	Annual periods beginning on or after 1 January 2023

Independent auditor's report to the members of Halifax Financial Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Halifax Financial Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its result for the year 31 December 2022 then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter- Financial statement prepared other than on a going concern basis

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

Independent auditor's report to the members of Halifax Financial Services Limited (continued)

Other information

The other information comprises the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Halifax Financial Services Limited (continued)

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

Independent auditor's report to the members of Halifax Financial Services Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

L Cowie

Lyn Cowie CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen, United Kingdom
26 July 2023