

## Halifax Financial Brokers Limited

### Annual report and financial statements for the year ended 31 December 2020

**Registered office**

Trinity Road  
Halifax  
West Yorkshire  
HX1 2RG

**Registered number**

02367078

**Current directors**

P R Grant  
S W Lowther

**Company Secretary**

K J McKay



---

**Directors' report**

For the year ended 31 December 2020

The Directors present their Annual report and the audited financial statements of Halifax Financial Brokers Limited (the "Company") for the year ended 31 December 2020.

The Company qualifies as a small company in accordance with sections 381 - 382 of the Companies Act 2006 (the "Act"). The Directors' report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

**General information**

The Company is a private company limited by shares, incorporated in the United Kingdom, registered in England and Wales and domiciled in England (registered number: 02367078).

The principal activity of the Company was to generate initial commission from the sale of annuity products under the trading name of Bank of Scotland Annuity Service (BoSAS). The changes announced to pensions in the 2014 Budget resulted in the cessation of new business income on annuity products.

The Company was previously regulated by the Financial Conduct Authority ("FCA"), but became de-authorised on 5th July 2019. The Company stopped accepting renewal commission at this point, and returned any monies received post this date.

The Company's results for the year ended 31 December 2020 show a loss before tax of £8,000 (2019: £178,000 profit), principally comprising interest income. Net assets at 31 December 2020 were £3,240,000 (2019: £3,250,000).

**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 risk, interest rate risk, financial soundness risk and legal and regulatory risk are set out in note 14.

The global pandemic from the outbreak of COVID-19 continues to cause widespread disruption to normal patterns of business activity across the world, including in the United Kingdom, and volatility in financial markets. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world and the duration of these measures remains uncertain. Monetary policy loosening has supported asset valuations across many financial markets, but longer-term impacts on inflation, interest rates, credit spreads, foreign exchange rates and commodity, equity and bond prices remain unclear. The Company's directors anticipate limited impact for the Company.

**Key performance indicators ("KPIs")**

Given that the Company has ceased all legacy renewal commission arrangements, 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 Company forms part of the Insurance and Wealth division of the Lloyds Banking Group (the "Group"). The development, performance and position of this division are discussed in the Lloyds Banking Group plc ("LBG") financial statements, which do not form part of this report.

**Future outlook**

The Company was de-authorised in 2019 and there is the intention to have the Company wound up as part of the Group's project to reduce the number of legal entities in the Group.

Given that the Directors intend to liquidate the Company, the UK's exit from the European Union is not expected to have a material impact on the Company.

**Dividends**

No dividends were paid or proposed during the year ended 31 December 2020 (2019: £nil).

**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.

**Directors**

The current Directors of the Company are shown on the front cover.

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and financial statements.

**Directors' report (continued)**

For the year ended 31 December 2020

**Directors' indemnities**

Lloyds Banking Group plc has granted to the Directors of the Company, 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. 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.

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

**Statement of Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

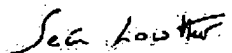
**Directors' confirmations**

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 auditors are aware of that information.

Pursuant to section 487(2) of the Companies Act 2006, the auditors of Halifax Financial Brokers Limited are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Halifax Financial Brokers Limited for accounting periods ending on or after 31 December 2021.

On behalf of the Board of Directors:



S W Lowther

Director

7 September 2021

**Statement of comprehensive income**

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	-	124
Finance income	4	10	25
<b>Total Revenue</b>		<b>10</b>	<b>149</b>
Provisions for liabilities and charges - (charge)/credit for the year	12	(18)	30
Other operating expenses	5	-	(1)
<b>(Loss)/profit before tax</b>		<b>(8)</b>	<b>178</b>
Taxation	8	(2)	(34)
<b>(Loss)/profit for the year, being total comprehensive (expense)/income</b>		<b>(10)</b>	<b>144</b>

The accompanying notes set out on pages 7 to 14 are an integral part of these financial statements.

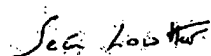
**Balance sheet**

As at 31 December 2020

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
Cash and cash equivalents	9	3,598	3,365
Amounts due from group undertakings	10	-	267
Trade and other receivables	10	1	-
<b>Total assets</b>		<b>3,599</b>	<b>3,632</b>
<b>LIABILITIES</b>			
Trade and other payables	11	294	303
Provision for liabilities and charges	12	63	45
Current tax liability		2	34
<b>Total liabilities</b>		<b>359</b>	<b>382</b>
<b>EQUITY</b>			
Share capital	13	200	200
Retained earnings		3,040	3,050
<b>Total equity</b>		<b>3,240</b>	<b>3,250</b>
<b>Total equity and liabilities</b>		<b>3,599</b>	<b>3,632</b>

The accompanying notes set out on pages 7 to 14 are an integral part of these financial statements.

The financial statements on pages 3 to 14 were approved by the Board of Directors on 7 September 2021:



S W Lowther  
**Director**  
 7 September 2021

**Statement of changes in equity**

For the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>At 1 January 2019</b>	200	2,906	3,106
Profit for the year being total comprehensive income	-	144	144
<b>At 31 December 2019</b>	200	3,050	3,250
Loss for the year being total comprehensive expense	-	(10)	(10)
<b>At 31 December 2020</b>	200	3,040	3,240

The accompanying notes set out on pages 7 to 14 are an integral part of these financial statements.

**Cash flow statement**

For the year ended 31 December 2020

	2020 £'000	2019 £'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(8)	178
Adjustments for:		
Finance income	(10)	(25)
Changes in operating assets and liabilities:		
- Net decrease in amounts due from group undertakings	267	-
- Net increase in Trade and other receivables	(1)	-
- Net decrease in Trade and other payables	(9)	41
- Net increase/(decrease) in Provision for liabilities and charges	18	(51)
<b>Cash generated from operations</b>	<b>257</b>	<b>143</b>
Tax paid	(34)	(130)
<b>Net cash generated from operating activities</b>	<b>223</b>	<b>13</b>
<b>Cash flows generated from investing activities</b>		
Finance income	10	25
<b>Net cash generated from investing activities</b>	<b>10</b>	<b>25</b>
<b>Change in Cash and cash equivalents</b>	<b>233</b>	<b>38</b>
Cash and cash equivalents at beginning of year	3,365	3,327
<b>Cash and cash equivalents at end of year</b>	<b>3,598</b>	<b>3,365</b>
<b>Cash and cash equivalents comprise</b>		
Cash held in a liquidity fund	3,598	3,365

The accompanying notes set out on pages 7 to 14 are an integral part of these financial statements.

---

**Notes to the financial statements**

For the year ended 31 December 2020

**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 comply with international accounting standards in conformity with the requirements of the Companies Act 2006.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity. Analysis of the assets and liabilities of the Company, into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current), is presented in the notes, where required.

There have been no new IFRS pronouncements relevant to the Company adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2020 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

Post de-authorisation, the Directors have an intention to liquidate the Company. Consequently, the financial statement are not prepared on a going concern basis but instead on basis other than going concern. The accounting policies below were applicable to the comparative prior year figures in these financial statements, and no adjustments were necessary to the valuation of net assets in order to disclose all current year balances at fair value following the decision to liquidate. Sufficient funds are available to support the activities of the Company until liquidation occurs, including liquidation costs.

**1.2 Income recognition****Revenue**

Revenue, which is generated wholly in the UK, consists of Renewal commission earned. Revenue is recognised when policies are renewed and confirmed.

**Finance income**

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

**1.3 Expenses recognition**

Operating expenses relate to bank charges and other miscellaneous expenses and are recognised in the Statement of comprehensive income as they are incurred.

**1.4 Financial assets and liabilities**

Management determines the classification of its financial assets and financial liabilities at initial recognition. Financial assets comprise trade and other receivables and Cash held in liquidity fund interest income receivable. Financial liabilities comprise trade and other payables.

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.

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

Amounts due from group undertakings is assessed at the reporting date for impairment on a forward looking basis and where appropriate an expected credit loss (ECL) is recognised based on reasonable and supportable information.



**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**1. Accounting policies (continued)****1.5 Cash and cash equivalents**

Cash and cash equivalents includes short-term highly liquid investments with original maturities of three months or less (excluding such investments as otherwise meet this definition but which are held for investment purpose rather than for the purpose of meeting short-term cash commitments). Holdings in liquidity funds are measured at fair value through profit or loss, with income received recognised in investment income.

The fair value of holdings in liquidity funds is determined as the last published price applicable to the vehicle at the reporting date. Holdings in liquidity funds are categorised as level 1 in the fair value hierarchy. These assets are valued using quoted prices in active markets for identical assets to those being valued. An active market is one in which similar arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an on-going basis.

**1.6 Taxation**

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her 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.

**1.7 Provision for liabilities and charges**

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

**1.8 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 IFRS's 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.

In the course of preparing these financial statements, no critical judgements have been made in the process of applying the company's accounting policies, other than those involving estimations which are disclosed separately below.

**Mortgage endowment provision**

The mortgage endowment provision of £63,000 (2019: £45,000) relates to expected costs arising from endowment review cases. The amount of the provision is estimated using past trends, experience to date of the percentage of cases upheld and average compensation payment made.

**3. Revenue**

	2020	2019
	£'000	£'000
Renewal commission	-	124

Halifax Financial Brokers Limited is now de-regulated, so it does not generate any income.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**4. Finance income**

	2020 £'000	2019 £'000
Investment income	10	25

**5. Other operating expenses**

Fees payable to the Company's auditors for the audit of the financial statements of £14,000 (2019: £14,000) 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.

**6. Staff costs**

The Company did not have any employees during the year (2019: none).

**7. Directors' emoluments**

No director received any fees or emoluments from the Company during the year (2019: £nil). The Directors are employed by other companies within the Group and their services to the Company are incidental to their other responsibilities within the Lloyds Banking Group (see also note 15).

**8. Taxation**

	2020 £'000	2019 £'000
<b>Analysis of charge for the year</b>		
UK corporation tax:		
- Current tax on taxable profit for the year	(2)	(34)

Corporation tax is calculated at a rate of 19.00% (2019: 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:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(8)	178
Tax charge/(credit) thereon at UK corporation tax rate of 19.00% (2019: 19.00%)	1	(34)
Factors affecting charge/(credit):		
- Timing differences not recognised	(3)	-
Tax charge on (loss)/profit on ordinary activities	(2)	(34)
Effective rate	24.60%	19.10%

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**9. Cash and cash equivalents**

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

	2020 £'000	2019 £'000
Held in a liquidity fund	3,598	3,365

**10. Trade and other receivables**

	2020 £'000	2019 £'000
Interest income receivable	1	-
Amounts due from group undertakings (see note 15)	-	267
	1	267

**11. Trade and other payables**

	2020 £'000	2019 £'000
Amounts due to group undertakings (see note 15)	294	283
Other creditors	-	20
	294	303

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

The Company was de-regulated on 5th July 2019 and it has returned all the renewal commission received after this date, which was £20,000 at the end of 2019. During the current year, responsibility for settling the customer renewal commission payments was transferred to the immediate parent company, Halifax Financial Services (Holdings) Limited.

All Trade and other payables are considered to be current.

**12. Provision for liabilities and charges**

	Mortgage endowment provision £'000
At 1 January 2020	45
Created during the year	18
<b>At 31 December 2020</b>	<b>63</b>

The mortgage endowment provision relates to expected costs arising from endowment review cases. The amount of the provision has been calculated using past trends, experience to date of the percentage of cases upheld and average compensation payment made.

**13. Share capital**

	2020 £	2019 £
<b>Allotted, issued and fully paid</b>		
200,000 (2019: 200,000) ordinary shares of £1 each	200,000	200,000

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**14. Financial risk management**

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

**14.1 Governance framework**

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

This enterprise-wide risk management framework for the identification, assessment, measurement and management of risk covers the full spectrum of risks that the Company is exposed to, with risks categorised according to an approved risk language. This covers the principal risks faced by the Company, including the exposures to credit, market, interest rate, regulatory, liquidity and capital risks. The performance of the Company and the strategic management of the business depend on its ability to manage these risks.

Responsibility for setting and managing risk appetite and risk policy resides with the Board. Risks are managed in line with the Group and Insurance division risk policies. The Board has delegated certain risk matters to the Insurance Risk Oversight Committee ("ROC") with operational implementation assigned to the Insurance and Wealth Risk Committee ("IWRC").

The risk management approach aims to ensure effective independent checking or "oversight" of key decisions by operating a "three lines of defence" model. The first line of defence is line management, who have direct accountability for risk decisions. The Risk function provides oversight and challenge and is the second line of defence. Internal Audit, the third line of defence, provide independent assurance to the Insurance Audit Committee, Insurance Board and the Company Board that risks are recognised, monitored and managed within acceptable parameters.

Policy owners, identified from appropriate areas of the Group, are responsible for drafting risk policies, for ensuring that they remain up-to-date and for facilitating any changes. Policies are subject to at least an annual review. Limits are prescribed within which those responsible for the day to day management of each Group 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.

**14.2 Risk appetite**

Risk appetite is the amount and type of risk that the Board prefers, accepts or wishes to avoid and is aligned to Group strategy. The Insurance Board has defined a framework for the management of risk and approved a set of risk appetite statements that cover financial risks (credit, market, interest rate, liquidity and capital), operational risks, people, conduct risks, regulatory & legal risks, model risk and governance risks. The risk appetite statements set limits for exposures to the key risks faced by the business. Risk appetite is reviewed at least annually by the Insurance Board. Executive owned Tier 2 and Tier 3 limits sit beneath Insurance Board owned risk appetite (Tier 1) and are managed and governed within the Insurance business.

Experience against Risk Appetite is reported monthly (by exception) to each meeting of IWRC and ROC. Copies are also supplied regularly to the Group's regulators as part of the close and continuous relationship. Reporting focuses on ensuring, and demonstrating to the Insurance Board, and their delegate the ROC that the Insurance Group is run in line with approved risk appetite. Any breaches of risk appetite require clear plans and timescales for resolution.

**14.3 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 financial soundness risk.

Financial assets and financial liabilities are measured on a non-going 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.

Cash and cash equivalents comprises investments in a liquidity fund and are carried at fair value through profit and loss, and are valued at level 1.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**14. Financial Risk Management (continued)****14.3 Financial risks (continued)****Credit risk**

Credit risk is the risk that counterparties with whom we have contracted, fail to meet their financial obligations, resulting in loss to the Company.

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

Credit risk to the Company arises primarily from exposure to financial assets at fair value through profit or loss. Cash and cash equivalents consists of holdings in the Schroder Sterling Liquidity Fund, which is rated AAA by Standard & Poor Global Ratings. Amounts due from group undertakings are due from HBOS plc, which is rated A by Standard & Poor Global Ratings. Given their credit ratings, management considers the risk of default to be low.

There were no past due or impaired financial assets at 31 December 2020 (2019: none). No terms in respect of financial assets had been renegotiated at 31 December 2020 or 31 December 2019.

**Market risk**

Market risk is defined as the risk that unfavourable market movements lead to reductions in earnings and/or value. Management considers this risk to be low as the only financial assets held are Cash and cash equivalents and Amounts due to group undertakings.

**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 either held on deposit or invested in a cash fund.

If interest rates were to increase or decrease by 25 basis points, the impact on loss before tax would be an increase or decrease respectively of £9,000 (2019: £8,000) in respect of cash balances.

**14.4 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 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.

The Group 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. The Group 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 and statutory requirements.

The Group 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 defined as the risk that the Company has insufficient 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 LBG Funding and Liquidity Policy.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**14. Financial Risk Management (continued)****14.4 Financial soundness risk (continued)****Capital risk**

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

Within the Insurance Division, capital risk is actively monitored by the Insurance and Wealth Asset and Liability Committee ("IWALCO").

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

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

**14.5 Non-financial risks**

The Company faces a variety of non-financial risks through its operations and service provision. The Company manages these risks by following the embedded Risk Management Framework, which uses methodologies and systems consistent with those implemented across the Group.

**14.6 Fair values of financial assets and liabilities**

The directors consider that there are no significant differences between the carrying amounts in the Balance sheet and the fair value.

**15. 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 [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

				2020 £'000	2019 £'000
<b>Amounts due from group undertakings</b>					
<b>Nature of transaction</b>	<b>Related party</b>	<b>Repayment</b>	<b>Interest</b>		
Amounts due from group undertakings	HBOS plc (see note 10)	No fixed date	N/A	-	267
<b>Amounts due to group undertakings</b>					
<b>Nature of transaction</b>	<b>Related party</b>	<b>Repayment</b>	<b>Interest</b>		
Amounts due to group undertakings	HBOS plc (see note 11)	No fixed date	N/A	-	283
Amounts due to group undertakings	Halifax Financial Services (Holdings) Limited (see note 11)	No fixed date	N/A	294	-

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.

Amounts due to group undertakings of £294,000 represents amounts owed to group companies who have settled amounts due to customers on behalf of the Company. During the year, responsibility for settling the customer renewal commission remediation was transferred to the Parent company from the Company.

All trade and other payables are considered to be current. All balances within amounts due from group undertakings are payable on demand.

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**15. Related party transactions (continued)**

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, West Yorkshire, HX1 2RG
Bank of Scotland plc	Fellow group company	The Mound, Edinburgh, EH1 1YZ

**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. Key management personnel, as defined by IAS 24, are employed by other companies within Lloyds Banking Group and consider that their services to the Company are incidental to their activities within Lloyds Banking Group.

**16. 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 Lloyds Banking Group's interpretation of the UK rules has not changed and hence it has appealed to the First Tier Tax Tribunal, with a hearing expected in early 2022. 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 £2,014,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

**17. Post balance sheet events**

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

**18. Future developments**

The following pronouncements are relevant to the Company's financial statements but are not applicable for the year ended 31 December 2020 and have not been applied in preparing these financial statements. Except as disclosed below, the full impact of these accounting changes is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the 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 2021 and 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	1 January 2021 and 1 January 2022

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

---

**Independent Auditors' report to the member of Halifax Financial Brokers Limited****Report on the audit of the financial statements**

---

**Opinion**

In our opinion, Halifax Financial Brokers Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements for the year ended 31 December 2020 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

**Emphasis of matter - financial statements prepared on a basis other than going concern**

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

---

**Reporting on other information**

The other information comprises all of 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

*Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.



---

**Independent Auditors' report to the member of Halifax Financial Brokers Limited (continued)****Responsibilities for the financial statements and the audit***Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

*Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to failure to comply with UK tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes of the Board; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and journal entries posted by unexpected or unusual users.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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.

---

---

**Independent Auditors' report to the member of Halifax Financial Brokers Limited (continued)****Other required reporting**

---

**Companies Act 2006 exception reporting**

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

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 from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Neil Riches (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol

7 September 2021