Halifax Share Dealing Limited

Annual Report and Financial Statements
31 December 2020

Registered office

Trinity Road
Halifax
West Yorkshire
HX1 2RG
United Kingdom

Registered number

03195646

Directors

M.A. Pardavila-Gonzalez
J.P. O'Dwyer
S.C. Guild
J.M. Hopper
A.C. Bone (Appointed 14/10/2020)
P.I. Thomas (Resigned 16/10/2020)

Company Secretary

P. Gittins

Member of Lloyds Banking Group Plc

Halifax Share Dealing Limited

Annual Report and Financial statements
for the year ended 31 December 2020

Page(s)

The directors present their strategic report for Halifax Share Dealing Limited (the "Company") for the year ended 31 December 2020. The Company is part of Lloyds Banking Group plc (the "Group").

Business Overview

During the year the Company was primarily engaged in the business of execution only stockbroking.

The Company provides a service for retail customers to buy and sell, on a self-directed, non-advised basis, securities of companies listed on the London Stock Exchange, together with funds, bonds and gilts. Additionally, customers can trade securities listed on international exchanges, covering both US and European markets. These services are available through online, mobile and telephony channels.

The Company is regulated by the Financial Conduct Authority ("FCA").

Review of the business

Despite some extremely challenging external conditions for all, the Company performed strongly during the year, achieving significant revenue and profit growth whilst maintaining robust capital and liquidity positions at all times.

A combination of the challenges presented by the Covid-19 pandemic and political uncertainty surrounding the US elections and the finalisation of the Brexit deal, resulted in a year of significant stock market volatility. Following a relatively steady start to the year, the Company experienced a material surge in trading volumes in late Q1, and these remained high for the remainder of the year. Overall, trading volumes increased 114% compared to 2019, driving strong net revenue and profit after tax growth (up 58% and 198% respectively), and more than offset the challenge presented by a low interest rate environment.

In response to the pandemic, the Company has prioritised the welfare of colleagues, while maintaining operational service levels. Currently in excess of 90% of colleagues are working from home and there are strict safeguarding measures in place to protect those that choose to operate from the main office.

The Company maintained rigorous control over its cost base, despite operational, legal and regulatory cost pressures.

Key performance indicators (KPIs)

Although the Company's income statement will always be the principal indicator of performance, the following KPIs are primary drivers of performance:

	Change in Year
Daily average trades:	+114%
Client cash balances:	+12%

As at 31 December 2020 net assets were £61.9m (2019: £44.2m).

The firm is a significant IFPRU EUR 730k limited activity investment firm and under FCA rule IFPRU 9.1.3R is required to disclose its return on assets. The 2020 figure of 12.0% (2019: 6.6%) is calculated by dividing profit after tax by average assets.

The Company's performance is reported in the monthly management accounts to the directors and discussed at board meetings held at regular intervals. The above KPIs reflect a significant increase in customer trading activity over the course of the year.

Future developments

The Company will continue to improve its customer propositions and services particularly to address business opportunities created through regulatory developments. There are plans to further diversify income streams through the introduction of additional fixed-fee income, thus reducing the Company's exposure to trading volume fluctuations and interest rate volatility. Affected customers have been made aware, and the new fees will take effect from April 2021.

Principal risks and uncertainties

The principal risks and uncertainties identified by the Board are operational risk, regulatory risk, liquidity risk, market risk, credit risk, exchange rate risk and interest rate risk. Further details of the key risks and uncertainties are disclosed in Note 17, and are managed under a framework established for the Group. Within this framework, risks are identified, measured, and managed to achieve a balance between risk and reward which is acceptable to the Company.

A focus on aligning the taking of risk with the achievement of business objectives means that control systems are designed to manage, rather than eliminate, risk and can provide reasonable but not absolute assurance against material loss.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the ‘Act’), for the year ended 31 December 2020, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of engagement with employees and other stakeholders

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the Directors have engaged with, and had regard to, the interest of key stakeholders only as the Company has no direct employees. The Company is a subsidiary of the Group, and as such follows many of the processes and practices of the Group, which are further referred to in this statement where relevant.

Customers

The Directors ensure the Company, as part of the Group, works towards achieving the Group’s customer ambitions and focusing on treating customers fairly. The Directors have also worked to agree customer plans, regularly reviewing customer behaviour and customer pricing to understand areas where improvements can be made. The Group regularly benchmarks amongst its customers the performance of itself and its subsidiaries, and uses this insight along with a range of internal and external research to ensure ongoing improvement in customer experience.

Shareholders

The Company is a wholly owned subsidiary of the Group, forming part of the Insurance and Wealth division. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of the Group, ensuring that the interests of the Group as the Company’s sole and ultimate shareholder are duly acknowledged. Further information in respect of the Group’s relationship with its shareholders can be found within the Strategic Report section of the Group’s 2020 Annual Report and Accounts, which does not form part of this report, available on the Group’s website.

Communities and the Environment

Due to its relatively small footprint within Group, the Company has a minimal direct impact on the community and the environment, it does however continue to fully support the Group’s related initiative, including Helping Britain Recover, by actively managing its current customer base. Further information in respect of the Group’s overall approach to engaging with and contributing to the communities in which it operates is also included within the Strategic Report section of the Group’s 2020 Annual Report and Accounts. Additional information on the Group’s Helping Britain recover Plan is available on the Group’s website.

Regulators

The Company provides regular updates on its current status to relevant regulators including disclosures on it capital and liquidity position. The status of regulatory relationships continues to be closely monitored, enhancing proactive engagement across key regulatory changes and areas of focus. The approach of the Group, including that of the Company, to managing regulatory change is detailed further within the Group’s 2020 Annual Report and Accounts.

Section 172(1) Statement (Continued)

How stakeholder interest has influenced decision making

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure that the strategy of the Company, as aligned to that of LBG, is to effectively manage its customer base to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible conduct standards.

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

Scott Guild

S.C. Guild
Director
30 March 2021

The directors present their annual report and audited financial statements for Halifax Share Dealing Limited for the year ended 31 December 2020.

Going Concern

The directors have given careful consideration to the future prospects of the Company in deciding upon the appropriateness of the going concern basis of preparation. Throughout 2020, operational resilience has been a key area of focus, with business continuity plans being invoked to ensure that colleagues were protected at all times and that there was minimal disruption to core customer services as we transitioned to a new way of working. The majority of staff have been supplied with laptops and other equipment to allow then to work from home in line with government guidelines. The Company's core operating platform and other IT systems have performed well, absorbing increased customer demand throughout the year.

Profits associated with exceptional trading volumes have further strengthened the Company's capital and liquidity positions, both of which are well in excess of internal and regulatory requirements. In setting regulatory limits, capital and liquidity stress testing took full account of the impacts of Covid-19 and Brexit uncertainty in determining appropriate levels. At point of final approval of these financial statements, 2021 trading volumes and associated revenues remain strong and should enable the Company to further strengthen both its capital and liquidity positions going forward.

On this basis, the Board considers the Company to be a going concern.

Dividends

No dividends were declared and paid during the financial year (2019: nil).

Political and Charitable Donations

No political donations were made during the year (2019: nil). A charitable donation of £14k (2019: nil) was made during the year.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

M.A. Pardavila-Gonzalez
J.P. O'Dwyer
S.C. Guild
J.M. Hopper
A.C. Bone (Appointed 14/10/2020)
P.I. Thomas (Resigned 16/10/2020)

Directors' indemnities

The Group has granted to the Directors of the Company, including any former directors who retired during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' and 'qualifying pension scheme 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. 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 Directors' 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 the Group. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Employees

The colleagues in the Company are employed by the Group. Although the Company does not employ them directly, the Company where feasible, uses regular communication to keep them informed regarding the Company's progress and plans for the future.

Employees (Continued)

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If employees become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Colleagues are encouraged to be involved in the Group's performance through participation in an incentive scheme and various share ownership schemes provided by the Group.

The Board wishes to express its appreciation to all colleagues for their continued hard work during these challenging times. The resilience demonstrated throughout the pandemic, and outstanding commitment to meeting our customer's needs, have been exemplary.

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors as at 31 December 2020, the number of days required to be shown in these financial statements, to comply with the provisions of the Companies Act 2006, is nil (2019: nil).

Risk Management Objectives

The Company has a requirement to disclose its financial risk management objectives in accordance with International Financial Reporting Standards 7 (IFRS7, Financial Instruments: Disclosures). This can be found within note 17 of the notes to the financial statements.

Directors' Responsibilities Statement

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 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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
- to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' Responsibilities Statement (Continued)

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 Director's 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
- that 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.

Independent Auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed 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 Company for accounting periods ending on or after 31 December 2021.

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

Scott Guild

S.C. Guild
Director
30 March 2021

Independent auditors' report to the members of Halifax Share Dealing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Halifax Share Dealing 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 profit 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 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the company, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

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 Strategic report and 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.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and 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 Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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 breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, 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 manual journal entries to manipulate financial performance or through misappropriation of cash balances. Audit procedures performed included:

- Discussions with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Testing of journal entries which contained unusual account combinations back to corroborating evidence; and
- Incorporating an element of unpredictability by varying the nature, timing or extent of our planned procedures.

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. 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 members 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.

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.

Christopher J Dalton

Christopher Dalton (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

31 March 2021

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £'000**	2019 £'000
Revenue	2	**46,028**	28,690
Cost of Sales		**(5,346)**	(2,988)
Net revenue		**40,682**	25,702
Operating expenses	3	**(18,400)**	(17,666)
Impairment provision (charge) / release	8	**(225)**	1
Finance costs	4	**(309)**	(929)
Operating profit		**21,748**	7,108
Finance income		**55**	212
Profit before taxation		**21,803**	7,320
Taxation	6	**(4,149)**	(1,398)
Profit after taxation		**17,654**	5,922
Total Comprehensive Income, net of tax		**17,654**	5,922

The profit shown above is derived from continuing operations and all profit is derived from activities within the United Kingdom.

The notes on pages 16 to 27 are an integral part of these financial statements.

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments in subsidiaries	7	**1**	1
		1	1
Current assets			
Trade and other receivables	8	**132,775**	48,658
Cash and cash equivalents	9	**66,671**	45,371
		199,446	94,029
Total assets		**199,447**	94,030
Current liabilities			
Current tax liabilities	6	**4,149**	1,398
Trade and other payables	11	**132,497**	47,622
Bank overdrafts	10	**904**	767
		137,550	49,787
Total liabilities		**137,550**	49,787
Equity			
Issued Capital	12	**15,000**	15,000
Retained earnings		**46,897**	29,243
Total Equity		**61,897**	44,243
Total equity and liabilities		**199,447**	94,030

The notes on pages 16 to 27 are an integral part of these financial statements.

The financial statements on pages 12 to 27 were approved by the Board of Directors and were signed on its behalf by:

Scott Guild

S.C. Guild
Director

30 March 2021

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 January 2019	**15,000**	**23,321**	**38,321**
Total Comprehensive Income for the year	-	5,922	5,922
Balance at 31 December 2019	**15,000**	**29,243**	**44,243**
Balance at 1 January 2020	**15,000**	**29,243**	**44,243**
Total Comprehensive Income for the year	-	17,654	17,654
Balance at 31 December 2020	**15,000**	**46,897**	**61,897**

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Cash flow generated from operating activities			
Profit before taxation		**21,803**	7,320
Adjustments for:			
Interest received		**(6,691)**	(8,891)
Interest paid		**863**	929
Income tax paid		**(1,398)**	(1,104)
Operating profit / (loss) before changes in working capital and provisions		**14,577**	(1,746)
Increase in trade and other receivables		**(84,117)**	(480)
Increase in trade and other payables		**84,875**	3,108
Net cash generated from operating activities		**15,335**	882
Cash flows generated from investing activities			
Interest received		**6,691**	8,891
Interest paid		**(863)**	(929)
Net cash generated from investing activities		**5,828**	7,962
Net increase in cash and cash equivalents		**21,163**	8,844
Cash and cash equivalents at 1 January		**44,604**	35,760
Cash and cash equivalents at 31 December		**65,767**	44,604
Cash and cash equivalents comprise			
Cash at bank	9	**66,671**	45,371
Bank overdrafts	10	**(904)**	(767)
Net cash and cash equivalents		**65,767**	44,604

The notes on pages 16 to 27 are an integral part of these financial statements.

1. ACCOUNTING POLICIES

The Company is a private company, limited by shares, and incorporated and domiciled in England, the United Kingdom.

1.1 BASIS OF PREPARATION

The financial statements are presented in sterling, rounded to the nearest thousand, and prepared on an historical cost basis. All accounting policies have been consistently applied in the financial statements.

These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The financial statements have been prepared on the going concern basis. The Company has access to Group funding if required. The directors received letters of support from the Group in February 2021. They are satisfied that it is the intention of the Group 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.

1.2 ACCOUNTING ESTIMATES

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year or in the period of the revision and future financial years if the revision affects both current and future financial years. The Directors consider that there are no judgements or estimates which have a significant effect on the financial statements.

1.3 REVENUE

Revenue consists of commission income, account fees, spread gains on foreign exchange transactions, and gross interest receivable in the normal course of investment business. Commission and gains on foreign exchange transactions are recognised when trades are executed whilst fee income and interest income is recognised on an accrual basis when receipt is reasonably certain.

1.4 COST OF SALES

Costs directly attributable to trading activities such as custody and brokerage fees, are charged to cost of sales and are recognised on an accruals basis.

1.5 INVESTMENTS IN SUBSIDIARIES

Investment in subsidiaries is stated at cost less provision for impairment. The directors believe that the carrying value of the investments is supported by their underlying net assets.

1.6 FINANCIAL ASSETS

Where applicable, financial assets are recognised at their amortised cost less expected credit losses. The Company’s financial assets include trade and other receivables and cash and cash equivalents. The subsequent measurement of financial assets depends on their classification as follows:

Trade and other receivables

Trade and other receivables include accrued income, trades in the course of settlement (market and client debtors) and other debtors. They are measured at amortised cost, less expected credit losses.

1. ACCOUNTING POLICIES (Continued)

1.6 FINANCIAL ASSETS (Continued)

Cash and cash equivalents

The Company holds bank accounts with a Group subsidiary (Bank of Scotland) and a number of other non-related parties. These accounts are held in the Company's name and meet the definition of cash and cash equivalents.

1.7 IMPAIRMENT OF FINANCIAL ASSETS

The Company applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

To measure the ECL, trade and other receivable are based on credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Write-offs

The gross carrying amount of trade and other receivables is written off when there is no reasonable expectation of recovering the contractual cash flows. Written off balances are presented within operating expenses.

1.8 TAXATION

Tax expense comprises current tax charged 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.

1.9 NETTING OFF OF BALANCES

Debtors and creditors (market and client) due to settle against delivery of stock have not been netted.

1.10 TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost.

1.11 CLIENT MONEY

The Company holds money on behalf of clients in accordance with the FCA’s Client Assets Sourcebook (CASS). This is held off balance sheet as the Company holds no rights or obligations in respect of this balance.

1. ACCOUNTING POLICIES (Continued)

1.12 SHARE-BASED COMPENSATION

The profit of the Company is stated after charging an amount of £279k (2019: £290k) in respect of services received by the Company which have been settled by way of share-based payment arrangements.

All staff providing services to the Company are employed by the ultimate parent undertaking, Lloyds Banking Group Plc, in whose shares settlement is made. The amount charged is recharged on a proportionate basis from Lloyds Banking Group Plc. Details of the share-based payment schemes within the Group are included on an aggregated basis in the Lloyds Banking Group Plc consolidated financial statements.

1.13 FOREIGN CURRENCIES

The financial statements are presented in sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at Balance sheet date exchange rates. Exchange differences arising, including those from changes in the amortised cost of foreign currency monetary available for sale assets, are recognised in the income statement. Non-monetary assets and liabilities carried at historical cost are translated using the historical exchange rate. Non-monetary assets and liabilities carried at fair value are translated at exchange rates on the date the fair value is determined. Exchange differences arising are recognised in the income statement except those relating to financial assets that are not monetary items, which are recognised directly in reserves.

1.14 SHARE CAPITAL AND BASIS OF CONSOLIDATION

Under the provisions of IAS 27 and under Section 400 of the Companies Act 2006, the Company has elected not to present consolidated financial statements. The financial statements present information about the undertaking as an individual undertaking and not about its Group. Group financial statements incorporating the financial statements of the Company and its subsidiary undertakings are prepared in accordance with IFRSs by the Company's ultimate parent undertaking, the Group, which is registered in Scotland. Information on the ultimate controlling parent and immediate parent can be found in note 15.

2. REVENUE

	2020	2019
	£'000	£'000
Fees and commission	**31,288**	17,122
Foreign exchange	**9,220**	2,889
Interest income	**5,520**	8,679
	46,028	28,690

3. OPERATING EXPENSES

	2020	2019
	£'000	£'000
Fees payable to the Company's auditors and its associates in respect of:		
CASS audit-related assurance services	**332**	180
Audit of the Company's financial statements (see note 14 (b))	**71**	69
Operating costs recharged from Group (see note 14 (b))	**13,514**	13,419
Other Direct Costs	**4,469**	3,998
Charitable donations	**14**	-
	18,400	17,666

4. FINANCE COSTS

	2020	2019
	£'000	£'000
Interest payable to Self-invested Personal Pension customers	286	866
Bank overdraft charges	23	63
	309	929

5. DIRECTORS' EMOLUMENTS

The Company employed no permanent staff directly during the year (2019: Nil). A recharge is made by the Group to cover the costs of staff seconded to the Company. Of the directors that served during the year, 2 (2019: 2) were remunerated in relation to their services as directors of the Company. The remaining directors were not remunerated by the Company as their time was incidental relative to their other services to the Group.

	2020	2019
	£'000	£'000
Total emoluments	331	378
Pension contributions	42	38
Highest paid director:		
Total emoluments	193	225
Pension Contributions	24	23

In 2020, the balance includes the value of bonuses awarded in the year. At 31 December 2020 the value of outstanding deferred bonuses was £414 (2019: £2,150).

One director had retirement benefits accruing under a defined benefit scheme operated under the Company's ultimate parent company. The value of accrued benefits at year ended 31 December 2020 was £31k (2019: £30k).

6. TAXATION

Analysis of tax charge for the year:	2020	2019
	£'000	£'000
Current tax on taxable profit for the year	(4,143)	(1,391)
Adjustments in respect of prior years	(6)	(7)
Current tax charge	(4,149)	(1,398)

Corporation tax is calculated at a rate of 19% (2019: 19%) of the taxable profit for the year.

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

	2020	2019
	£'000	£'000
Profit before taxation	21,803	7,320
Tax charge thereon at UK corporation tax rate of 19% (2018: 19%)	(4,143)	(1,391)
Factors affecting credit:		
Adjustments in respect of prior years	(6)	(7)
Total tax charge	(4,149)	(1,398)
Effective rate	19.0%	19.1%

7. INVESTMENTS IN SUBSIDIARIES

There was no movement in the Company's investment in subsidiaries during 2020 (2019: nil):

	2020	2019
Net book value:	**£'000**	£'000
As at 31 December	**1**	1

The Company's principal subsidiaries are shown below:

Subsidiary:	Percentage owned by the Company	Principal activity
Bank of Scotland Branch Nominees Limited	100%	Non-trading nominee company
HSDL Nominees Limited	100%	Non-trading nominee company
Share Dealing Nominees Limited	100%	Non-trading nominee company

The process to strike off Halifax Nominees Limited at Companies House commenced on 19th November 2020.

At 31 December 2020, the Company owns either directly or indirectly the entire Ordinary share capital of the above companies. The directors consider the value of the investments to be supported by their underlying assets. The Company has given a guarantee in respect of Bank of Scotland Central Nominees Limited. The extent of this guarantee is to such amount as may be required but not exceeding £100.

The subsidiary companies are incorporated and registered in England and Wales, registered office Trinity Road, Halifax, West Yorkshire HX1 2RG, except for Bank of Scotland Branch Nominees Limited and Bank of Scotland Central Nominees Limited which are incorporated in Scotland and registered office, The Mound, Edinburgh EH1 1YZ.

8. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Market Debtors	**46,398**	28,674
Client Debtors	**84,586**	17,121
Other Debtors	**155**	99
Less provision for Impairment of trade receivables	**(339)**	(114)
Trade receivables – net	**130,800**	45,780
Prepayments and Accrued Income	**1,975**	2,878
Trade and other receivables	**132,775**	48,658

The Company's maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as per the table below. The Company mitigates its exposure to credit risk from trade and other receivables by establishing agreed payment period terms with customers. The average credit period granted is 9 days. No interest is charged on the receivables.

The Company has recognised an impairment provision for doubtful debts, using the IFRS 9 simplified approach. Impairment losses are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of customers and an analysis of customers' ability to settle future receivables. Any balances past due more than a day demonstrated a significant increase in credit risk and balances due more than 9 days are credit impaired.

8. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables ageing analysis as at 31 December 2020 as follows:

	Current £'000	1 - 9 days overdue £'000	>9 days overdue £'000	Total £'000
Gross carrying amount	131,045	1,174	895	133,114
Loss allowance	(25)	(24)	(290)	(339)
Net carrying amount	**131,020**	**1,150**	**605**	**132,775**

Trade and other receivables ageing analysis as at 31 December 2019 as follows:

	Current £'000	1 - 9 days overdue £'000	>9 days overdue £'000	Total £'000
Gross carrying amount	46,596	1,077	1,099	48,772
Loss allowance	-	-	(114)	(114)
Net carrying amount	**46,596**	**1,077**	**985**	**48,658**

Movements in the provision for impairment of trade receivables are as follows:

	2020 £'000	2019 £'000
Provision at 1 January	**(114)**	(115)
Current year release / (charge)	**(225)**	1
Provision at 31 December	**(339)**	(114)

9. CASH AND CASH EQUIVALENTS

	2020 £'000	2019 £'000
Cash and Cash Equivalents	**66,671**	45,371

At 31 December 2020 the Company held bank deposits totalling £1,408m (2019: £1,258m) on behalf of clients. In accordance with FCA regulations and the CASS framework, this amount and the corresponding Client Creditor balances are not recognised in the financial statements.

10. BANK OVERDRAFTS

	2020 £'000	2019 £'000
Bank overdrafts	**904**	767

Amounts in respect of bank overdrafts are repayable on demand and form an integral part of the Company's cash management.

11. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Market creditors	**83,325**	40,062
Client creditors	**44,125**	2,684
Amounts owed to group undertakings	**2,097**	1,536
Other creditors	**143**	139
Accruals and deferred income	**2,807**	3,201
Trade and other payables	**132,497**	47,622

12. ISSUED CAPITAL

	2020	2019
	£'000	£'000
Allotted, called up and fully paid: 15,000k (2019: 15,000k) Ordinary shares of £1 each	**15,000**	15,000

13. FINANCIAL INSTRUMENTS

Financial assets and liabilities carried at amortised cost

Both cash and cash equivalents and trade and other receivables are recognised on an amortised cost basis that is considered to be a close approximation to fair value due to short nature of these assets.

Trade and other payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value as they are deemed to be repayable on demand as there are no fixed repayment dates or amounts.

14. TRANSACTIONS WITH RELATED PARTIES

During the year the following related party transactions were entered into with other Group subsidiaries:

(a) Sales of services

	2020	2019
	£'000	£'000
Interest Receivable	**46**	344
Other group commission	**388**	512
Total	**434**	856

Interest receivable relates to gross interest earned on cash, including client cash held other than for settlement, held on deposit with other Group subsidiaries.

Other group commission relates to trading activity administered by the Company on behalf of other divisions of the Group.

14. TRANSACTIONS WITH RELATED PARTIES (continued)

(b) Purchase of services

	2020	2019
	£'000	£'000
Staff		
Wages & salaries	**6,338**	6,441
Social security costs	**592**	586
Other pension costs	**998**	1,014
Information technology	**2,078**	2,727
Infrastructure	**3,508**	2,651
Audit of the Company's financial statements	**71**	69
Total	**13,585**	13,488

Staff costs include short-term employee benefits; share based payments; and post-employment benefits. The average headcount during the year was 280.

(c) Balances due to and from group undertakings

These are included on the balance sheet as follows:

	2020	2019
	£'000	£'000
Assets		
Cash and cash equivalents	**50,452**	13,145
Liabilities		
Amounts owed to group undertakings	**2,097**	1,536
Bank overdrafts	**904**	767
	3,001	2,303

(d) Key management compensation

Further information regarding Directors' emoluments is included under note 5.

In line with the IAS24 declaration requirement, two directors held customer accounts with Halifax Share Dealing Limited on a normal arm's length basis. One traded during the financial year and paid commission and administration fees of £205 (2019: £10) on a normal arm's length basis.

15. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent company is HBOS plc. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled 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. HBOS plc is the parent undertaking of the smallest such group of undertakings. Lloyds Banking Group Plc is the ultimate controlling parent. Copies of the group financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, The Mound, Edinburgh, EH1 1YZ.

16. CONTINGENT LIABILITIES

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 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 £1,779k (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

17. RISK MANAGEMENT

Operational Risk

As part of the Group's Insurance and Wealth division, the Company has a dedicated risk team. This team functions under the operational risk framework prescribed by the Group. The framework deals for the most part with operational risk. It involves a wide range of controls which are the subject of continuous assessment and monitoring, including measures aimed at countering the risks from fraud.

One of the most important operational risks is associated with the Company's IT configuration. The effective management of this risk includes the existence of a comprehensive and well-planned back-up arrangement in the event of major systems failure, including the use of alternative sites to ensure business continuity and minimal disruption to customer service. These arrangements are provided by the Group, and are subject to regular review, testing and development.

Operational resilience is constantly monitored. Transactional activity is almost wholly online, with an average of 96% of these transactions achieved by straight through processing. There is robust oversight of third party suppliers and in addition our market counterparties are regulated by the FCA and hence are required to hold adequate capital to protect against failure.

As a result of the pandemic, a number of these risk mitigations have come to the fore. Part of the Business Continuity Plan (BCP) plan was invoked to enable the majority of colleagues to work from home in line with government guidelines. The Company sought additional reassurance from key suppliers that operational continuity would be maintained at all times, and robust contingency plans remain in place in the event of key supplier outages. The Company has largely maintained pre-pandemic operational service standards throughout the extended lockdown period.

Regulatory risk

The Company is regulated in respect of its investment business by the FCA under the Financial Services and Markets Act 2000. There are separate regulatory functions within the Company which monitor compliance with FCA regulations and the CASS framework.

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. The carrying amount of the Company's financial liabilities is considered to be a close approximation to the contractual undiscounted cash flows. All financial liabilities will mature in less than a year.

The Company operates a comprehensive liquidity risk management framework to comply with the provisions of the FCA Prudential Sourcebook for Investment Firms (IFPRU). Chapter 7 of IFPRU sets out that HSDL is subject to the FCA's liquidity regime as set out in Chapter 12 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU 12).

17. RISK MANAGEMENT (Continued)

Market Risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rate and equity prices.

The Company recognises the risks associated with stock market volatility. There are many factors which can trigger sudden and substantial movements in the equity and debt securities, including major world events such as the result of the European Referendum in June 2016 or the 2020 Covid-19 pandemic. Although extreme price movements of this nature are rare, it is important that the Company is prepared and able to respond to their effect, which will typically involve high levels of investor activity. The Company's well-established online and telephony capabilities are naturally suited to handle surges in activity of this kind.

In some instances particular stocks may be suspended and in exceptional circumstances the market itself may be closed temporarily. But even within a more normal market, volatility of price movements is a day-to-day phenomenon which the Company is prepared and able to cope with.

In the case of the Company the main market risk is based on volatility in customer trading activity due to adverse or favourable economic and market conditions which have the potential to impact equity prices.

If during the year trading volumes had been 20% higher or lower with all other variables held constant, the Company's income statement would be as shown in the table below

	-20%	**Trading Commission**	**+20%**
	£'000	**£'000**	**£'000**
Adjusted Trading Commission Income	22,373	27,967	33,560

The measure however is simplified in that it assumes an average rate per trade on commission bearing products offered to our customers. It does not recognise the impact of any management actions that, in the event of an adverse trading impact, could reduce the impact on trading related commission income.

Credit, interest rate and exchange rate risk

Exposure to credit, interest rate and foreign currency risk arises in the normal course of the Company's business. Management employs appropriate policies to manage these risks.

(a) Credit Risk

Credit risk is the risk of financial loss arising from a customer or market counterparty failing to settle financial obligations.

Exposure to credit risk arises in the normal course of the Company's business. The Company minimises this risk by requiring the majority of customers to pre-fund trades. Under exceptional arrangements, group affiliates may be extended a trading facility. This facility is capped and monitored on an on-going basis by a dedicated credit control team. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet date there were no significant concentrations of credit risk.

Trading undertaken by the Company on behalf of its retail customers ordinarily involves conducting trades through a number of market counterparties. As a consequence, the Company is exposed to the risk of failure of any one of the market counterparties with whom it engages.

Market counterparties are regulated by the FCA and are required to hold adequate levels of capital to protect against failure. As such they are regarded as low risk. In the unlikely event of failure of a market counterparty where settlement of trades has not taken place, since loss of principal is matched by having the collateral cover of related stock holdings, it follows that the measure of risk is restricted to that arising only from changes in market prices. This 'marked to market risk' is regarded as an acceptable on-going risk of business. However, the failure of significant market counterparty would have considerable implications for the market as a whole.

17. RISK MANAGEMENT (Continued)

(a) Credit Risk (continued)

Since the Company rarely offers credit facilities to customers it is not exposed to significant credit risk as conventionally understood; the requirement is for most customers to fund their account in advance of trading. This does not negate the need for rigorous internal control procedures around the settlement of trades, which continue to be tightly managed, minimising the risk and impact of customer default. It is for this reason that the Company has not made any further disclosure in relation to its credit risk requirements.

Changes in key assumptions would not have a material impact on the expected credit losses.

(b) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at a different time. In relation to income earning financial assets and interest bearing financial liabilities, the Company does not have any interest rate exposure.

If during the year interest rates for financial assets had been 25 basis points ('bps') higher or lower with all other variables held constant, the Company's income statement would be as shown in the table below

	- 25 bps £'000	Gross interest income £'000	+25 bps £'000
Adjusted Interest Receivable	2,005	5,575	9,145

The measure however is simplified in that it assumes a rate change for interest bearing assets only. It does not recognise the impact of any management actions that, in the event of an adverse rate movement, could reduce the impact on net interest income.

(c) Exchange rate risk

The Company is exposed to exchange rate risk through the revaluation of US Dollar and Euro balances arising through the settlement cycle of customer trades. The Company monitors this on a daily basis and limits the exposure by purchasing or selling currency accordingly. Consequently individual currency movements of 25% would not have a material impact on the income statement.

18. CAPITAL REQUIREMENTS

The Company complied with the FCA's capital adequacy requirements throughout 2020.

Capital is divided into tiers in line with FCA Handbook rules. The Company holds tier one capital in the form of shareholders' funds, after adjusting for items reflected in shareholders' funds which are treated differently for the purposes of capital adequacy.

Capital is actively managed by the company, as a year round activity, in line with Board approved policy. The objective of the capital management policy is to ensure adequate capital for the sustainability of the company. The company completes an annual Individual Capital Adequacy Assessment return (ICAAP), supplemented by a quarterly FCA CoRep return (tier 1 capital), and weekly stress-testing monitoring. The breakdown of the capital balance comprises of share capital (£15m) and retained earnings (£46.9m).

The relative holdings of tiered capital comply with the FCA's capital gearing rules.

The FCA is currently consulting on a new prudential regime for MiFID investment firms. It is expected to take effect from 1st January 2022 and, as the requirements become clearer, the Company continues to prepare for implementation.

19. FUTURE ACCOUNTING PRONOUNCEMENTS

The following pronouncements are not expected to have a significant impact on the Company.

Pronouncement	**Nature of change**	**IASB 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). These amendments are not expected to have a significant impact on the Company.	1 January 2021 and 1 January 2022