

# Halifax Mortgage Services (Holdings) Limited

Annual report and accounts  
for the year ended 31 December 2015

**Registered office**

Trinity Road  
Halifax  
West Yorkshire  
HX1 2RG

**Registered number**

01780924

**Current directors**

M S Dolman  
I G Stewart

**Company Secretary**

Lloyds Secretaries Limited

Member of Lloyds Banking Group

THURSDAY



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## Directors' report

For the year ended 31 December 2015

The directors present their report and the audited financial statements of Halifax Mortgage Services (Holdings) Limited ("the Company") for the year ended 31 December 2015.

### General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 01780924).

During the year ended 31 December 2015, the Company did not trade or incur any liabilities and consequently has made neither profit nor loss.

On 20 November 2015, the directors approved a resolution to reduce the share capital of the Company. This share capital reduction was completed by the cancellation of 30,102,203 ordinary shares of £1 each.

The Company also cancelled its Share premium account, in full, to the amount of £883,000.

### Principal risks and uncertainties

As the Company is not trading and given the nature of the Company's position at the year end, the directors do not consider that there are any risks or uncertainties which affect the Company.

### Dividends

A dividend of £21,724,000, representing a dividend of £21,724,000 per share, was declared and paid during the year (2014: £nil).

### Going concern

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

### Directors

The 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 accounts.

### 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. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

### Statement of directors' responsibilities

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

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

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

## Directors' report (continued)

For the year ended 31 December 2015

### Statement of directors' responsibilities (continued)

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

### Disclosure of information to auditors

Each director in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

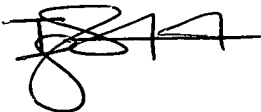
This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

### Independent auditors

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

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

Approved by the board of directors and signed on its behalf by:



I G Stewart  
Director

29 June 2016

# **Independent auditors' report to the member of Halifax Mortgage Services (Holdings) Limited**

## **Report on the financial statements**

### **Our opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its result and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **What we have audited**

The financial statements, included within the Annual Report and accounts (the "Annual Report") comprise:

- the Balance sheet as at 31 December 2015;
  - the Cash flow statement for the year then ended;
  - the Statement of changes in equity for the year then ended; and
- ~~the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.~~

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

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

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

#### **Entitlement to exemptions**

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

# Independent auditors' report to the member of Halifax Mortgage Services (Holdings) Limited (continued)

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of directors

As explained more fully in the Statement of directors' responsibilities set out on page 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

### What an audit of financial statements involves

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

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

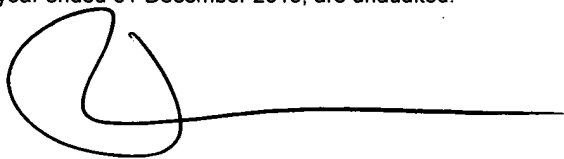
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

### Other matter

The financial statements for the year ended 31 December 2014, forming the corresponding figures of the financial statements for the year ended 31 December 2015, are unaudited.



Joanne Leeson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Bristol  
BS2 0FR

29 June 2016


## Balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>ASSETS</b>			
Cash and cash equivalents		3	3
Other current assets	5	20	21,744
Investment in subsidiary undertakings	8	15,417	15,417
<b>Total assets</b>		<b>15,440</b>	<b>37,164</b>
<b>EQUITY</b>			
Share capital	9	-	30,102
Share premium account		-	883
Retained earnings		15,440	6,179
<b>Total equity</b>		<b>15,440</b>	<b>37,164</b>
<b>Total equity and liabilities</b>		<b>15,440</b>	<b>37,164</b>

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

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



I G Stewart  
Director

29 June 2016

## Statement of changes in equity

For the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2014 - unaudited</b>	30,102	883	6,179	37,164
Result for the year being total comprehensive income	-	-	-	-
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<b>At 31 December 2014</b>	<b>30,102</b>	<b>883</b>	<b>6,179</b>	<b>37,164</b>
Result for the year being total comprehensive income	-	-	-	-
Cancellation of 30,102,203 shares at par value	(30,102)	-	30,102	-
Cancellation of Share premium account	-	(883)	883	-
Dividend paid to equity holders of the Company	-	-	(21,724)	(21,724)
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<b>At 31 December 2015</b>	-	-	<b>15,440</b>	<b>15,440</b>

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

## Cash flow statement

For the year ended 31 December 2015

	2015 £'000	2014 £'000
<b>Cash flows generated from operating activities</b>		
Result before tax	-	-
Adjustments for:		
Decrease in Amounts due from group undertakings	21,724	-
<b>Net cash generated from operating activities</b>	<b>21,724</b>	-
<b>Cash flows used in financing activities</b>		
Dividends paid	(21,724)	-
<b>Net cash used in financing activities</b>	<b>(21,724)</b>	-
<b>Change in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year	3	3
<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<b>3</b>

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



## Notes to the financial statements

For the year ended 31 December 2015

### 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.

A Statement of comprehensive income has not been presented in these financial statements as it would show £nil for the current and preceding financial years.

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

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

Annual improvement to IFRSs (issued December 2013). A collection of amendments to IFRSs from the 2011 - 13 cycle of the annual improvements projects.

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2015 and which have not been applied in preparing these financial statements are given in note 15. No standards have been early adopted.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

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

#### 1.2 Dividends

Dividends are recognised in the period in which they are declared.

#### 1.3 Financial assets

Financial assets comprise Amounts due from group undertakings.

All financial assets are stated at amortised cost.

#### 1.4 Cash and cash equivalents

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

#### 1.5 Taxation

Current tax which is payable or receivable on taxable profits is recognised as an expense in the period in which the profits arise.

#### 1.6 Investment in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

## Notes to the financial statements (continued)

For the year ended 31 December 2015

### 2. Critical accounting estimates and judgements in applying accounting policies

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

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

### 3. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £4,000 (2014: £nil) 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.

### 4. Staff costs

The Company did not have any employees during the year (2014: none).

### 5. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2014: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 10).

### 6. Dividends

	2015 £'000	2014 £'000
<b>Equity - ordinary</b>		
Final paid: £21,724,000 (2014: £nil) per £1 share	(21,724)	-

### 7. Other current assets

	2015 £'000	2014 £'000
<b>Amounts due from group undertakings</b>		
Halifax Loans Limited	20	21,744

Amounts due from group undertakings are non-interest bearing and repayable on demand. The fair value of Amounts due from other group undertakings is equal to its carrying amount. No provisions are recognised in respect of Amounts due from other group undertakings.

### 8. Investment in subsidiary undertakings

	2015 Total £'000	2014 Total £'000
<b>Cost</b>		
At 1 January and 31 December	24,087	24,087
<b>Provision for impairment</b>		
At 1 January and 31 December	(8,670)	(8,670)
<b>Carrying value of investments at 31 December</b>	<b>15,417</b>	<b>15,417</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2015

### 8. Investment in subsidiary undertakings (continued)

Investment in subsidiary undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

The subsidiary undertaking at 31 December 2015 and 31 December 2014, listed below, is incorporated in England and Wales.

Subsidiary undertakings	Company interest %	Principal activities
Halifax Mortgage Services Limited	100.00%	Dormant

The Company's interest in this entity is in the form of ordinary share capital.

### 9. Share capital

	2015 £'000	2014 £'000
<b>Allotted, issued and fully paid</b>		
1 (2014: 30,102,204) ordinary shares of £1 each	-	30,102

### 10. Related party transactions

#### Key management personnel

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

#### UK Government

In January 2009, the UK government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. HM Treasury's interest fell below 20% on 11 May 2015. As a consequence, HM Treasury is no longer considered to have a significant influence and ceased to be a related party of the Company for IAS 24 Related Party Disclosures purposes at that date.

### 11. Financial risk management

Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the ultimate parent, Lloyds Banking Group plc. As the Company is not trading and given the nature of the Company's position at the year end, the directors do not consider that there are any risks or uncertainties which affect the Company.

### 12. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

### 13. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2014: £nil).

## Notes to the financial statements (continued)

For the year ended 31 December 2015

### 14. Post balance sheet events

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

### 15. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2015 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued September 2014)	A collection of amendments to IFRSs from the 2012 - 2014 cycle of the annual improvements projects.	Annual periods beginning on or after 1 January 2016
Annual improvement to IFRSs (issued December 2013)	A collection of amendments to IFRSs from the 2010 - 12 cycle of the annual improvements projects.	Annual periods beginning on or after 1 February 2015
Amendments to IAS 1 'Disclosure Initiative'	The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.	Annual periods beginning on or after 1 January 2016
IFRS 9 'Financial Instruments' <sup>1</sup>	Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised costs, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018

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

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

### 15. Ultimate parent undertaking and controlling party

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