

Halifax Share Dealing Limited

Annual Report and Financial Statements 31 December 2023

Registered office

Trinity Road
Halifax
West Yorkshire
HX1 2RG
United Kingdom

Registered number

03195646

Directors

M.A. Pardavila-Gonzalez
S.C. Guild
J. Leiper (Appointed 25/10/2023)
J. Anderson (Appointed 01/11/2023)
P. McMahon (Appointed 01/11/2023)
D. Mackechnie (Appointed 01/11/2023)
D.M.H. Skinner (Appointed 01/11/2023)
A.P. Walking (Resigned 01/08/2023)
A.C. Bone (Resigned 01/11/2023)
J.M. Hopper (Resigned 01/11/2023)
J.P. O'Dwyer (Resigned 01/11/2023)
R.L. Anderson (Resigned 01/11/2023)

Company Secretary

P. Gittins (Resigned 01/11/2023)
A. L. Jordan (Appointed 01/11/2023)

Member of Lloyds Banking Group plc
Halifax Share Dealing Limited – Company Number 03195646

**Annual Report and Financial statements
for the year ended 31 December 2023**

	Page(s)
Strategic Report for the year ended 31 December 2023.....	3 - 6
Directors' Report for the year ended 31 December 2023.....	7 - 9
Independent Auditors' report to the members of Halifax Share Dealing Limited.....	10 - 12
Statement of Comprehensive Income for the year ended 31 December 2023.....	13
Statement of Financial Position as at 31 December 2023.....	14
Statement of Changes in Equity for the year ended 31 December 2023.....	15
Statement of Cash Flows for the year end 31 December 2023.....	16
Notes to the financial statements for the year ended 31 December 2023.....	17 - 28

**HALIFAX SHARE DEALING LIMITED – COMPANY NUMBER 03195646
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their strategic report for Halifax Share Dealing Limited (the “Company”) for the year ended 31 December 2023.

Business Overview

On 1st November 2023, Embark Group Limited (the “Group”), a wholly owned subsidiary of Lloyds Banking Group, (“LBG”), acquired the entire share capital of the Company. From this date, the Group became the immediate parent of the Company with LBG remaining as the ultimate parent undertaking.

There was no change to the principal activities of the Company, 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

Against the background of the cost of living crisis; high inflation; and low levels of investor confidence; trading volumes reduced by 16%. Despite this, the Company continued to deliver through its diversified business model, delivering positive net asset under administration flows and significant profit growth.

Revenue increased by 63% to £91m (2022: £55.7m), with the impact of reduced trading volumes being more than offset by higher net interest income as base rate continued to increase through the year. After allowing for costs, including £1.7m (2022: £2.3m) of integration and development costs associated with the acquisition of the Company by the Group, profit before tax of £58.9m (2022: £27.2m) increased by 116%.

The Company continued to maintain rigorous control over its direct cost base and delivered an £81.3m dividend to it’s parent whilst adhering to regulatory capital and liquidity requirements.

Key performance indicators (KPIs)

Although the Company’s income statement will always be the principal indicator of performance, the following KPIs are viewed as key drivers of performance:

	2023	2022	YoY
Daily average trades (k):	6.4	7.7	-17%
Client cash balances (£m)	1,233	1,533	-20%

As at 31 December 2023 net assets were £61.4m (2022: £97.7m).

As at 31 December 2023 the Company is classified as a Non-Small & Non-Interconnected (“Non-SNI”) £750k MIFIDPRU Investment Firm that is not subject to extended remuneration, governance committee and investment policy disclosure rules. The Company has an ongoing review process in place to monitor the larger non-SNI threshold and is currently below it. The larger non-SNI criteria are:

- On and off-balance sheet total above £100m (average over the last 4 years), with a trading book above £150m and derivatives book above £100m.
- On and off-balance sheet total above £300m (average over the last 4 years).

The Company undertakes activities within the scope of the UK Markets in Financial Instruments Directive (MiFID) and is therefore subject to the prudential requirements of the Investment Firm Prudential Regime (IFPR) contained in the FCA’s MIFIDPRU Handbook. The Company is required to publish disclosures in accordance with the provisions outlined in Chapter 8 and a copy of these is available on the Company’s website. The Company meets the thresholds to be classified as a large CASS firm and significant SYSC firm.

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STRATEGIC REPORT FOR THE YEAR ENDED 31 December 2023 (Continued)**

Future developments

The Company will continue to improve its customer propositions and services particularly to address business opportunities created through regulatory developments.

Principal risks and uncertainties

The key risks and uncertainties faced by the Company are managed under a framework established for LBG. 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 – and not absolute – assurance against material loss.

The Company, as part of the Insurance, Pensions & Investments division, has a dedicated risk team. This team functions under the operational risk framework prescribed by LBG.

Amongst other risks, the Company, in conjunction with LBG, continues to monitor the situation in the Ukraine, and the Israeli-Palestine conflict. Despite adverse effects on the Global economy, the Company has not experienced any significant negative impacts on operations or financial performance and does not expect to do so in the future.

Operational Risk

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 LBG, and are subject to regular review, testing and development.

Operational resilience is constantly monitored. Transactional activity is almost wholly online, with an average of 98% 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 the Company is regulated by the FCA and under the scope of the Client Assets (CASS) rules, this includes the risk of failure to adequately protect clients' assets. The Company manages these risks through documented operational processes and controls, and strong governance and oversight from Risk, CASS and other relevant committees.

Market Risk

As an execution only stockbroker, the Company recognises the risks associated with stock market volatility which can result in trading volume fluctuations and associated profit impacts. There are many factors which can trigger sudden and substantial movements in equity and debt securities, including major world events. Although extreme price movements of this nature are rare, it is important that the Company is prepared and able to react, including the capability to respond to increased 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, certain stocks may be suspended and in exceptional circumstances the market itself may be closed temporarily. Even within a more normal market, price volatility is a common occurrence, and the Company has appropriate controls in place to deal with these events.

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STRATEGIC REPORT FOR THE YEAR ENDED 31 December 2023 (Continued)**

Credit, interest 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. Details of their risk management are included within the notes to the financial statements.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act'), for the year ended 31 December 2023, 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's ultimate parent is LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Customers

The Directors ensure the Company, as part of LBG, works towards achieving the LBG's customer ambitions and focusing on treating customers fairly, in line with Consumer Duty requirements. The Directors have also worked to agree customer plans, regularly reviewing customer behaviour and customer pricing to understand areas where improvements can be made. LBG 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, Pensions & Investments 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 LBG, ensuring that the interests of LBG as the Company's ultimate parent are duly acknowledged. Further information in respect of LBG's relationship with its shareholders can be found within the Strategic Report section of the LBG 2023 Annual Report and Accounts, which does not form part of this report, available on the LBG website.

Communities and the Environment

The Board ensures it continues to participate and play an appropriate role in LBG related initiatives, including Helping Britain Prosper, by actively managing its current customer base. Further information in respect of LBG's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report section of the LBG 2023 Annual Report and Accounts. Additional information on the LBG Helping Britain Prosper Plan is available on the LBG website.

Regulators

The Company provides regular updates on its current status to relevant regulators including disclosures on the 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 LBG, including that of the Company, to managing regulatory change are detailed further within LBG's 2023 Annual Report and Accounts.

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STRATEGIC REPORT FOR THE YEAR ENDED 31 December 2023 (Continued)

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, in line with Group strategy, 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:



S.C. Guild
Director
24 April 2024

**HALIFAX SHARE DEALING LIMITED – COMPANY NUMBER 03195646
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023**

The directors present their annual report and audited financial statements for Halifax Share Dealing Limited for the year ended 31 December 2023. Principal risks and uncertainties, future developments and employee engagement disclosures have been considered and included within the Strategic Report.

Going Concern

The directors have considered the future prospects of the Company, including the financial resources. Profits continue to strengthen the Company's capital and liquidity positions, both of which are in excess of internal and regulatory requirements. In setting regulatory limits, capital and liquidity stress testing was carried out taking account of the impact of extreme scenarios in determining the appropriate levels to hold. At point of final approval of these financial statements, 2024 revenues continue to remain strong and going forward should enable the Company to further strengthen both its capital and liquidity positions. Operational resilience remains strong, business continuity plans are in place and most colleagues have the ability to work from home if required. The Company's core operating platform and other IT systems continued to perform well.

The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

In addition, the Company is covered by the letter of support from LBG dated 21 February 2024, which confirms that LBG will support the Company in meeting its financial liabilities as they fall due.

Post Balance Sheet Events

There are no post balance sheet events

Dividends

A dividend of £81.3m was declared and paid during the financial year (2022: nil). This represented a dividend per share of £5.42 (2022: nil).

Political and Charitable Donations

No political donations were made during the year (2022: nil). No charitable donations were made during the year (2022: nil).

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
S.C. Guild
J. Leiper
J. Anderson
P. McMahon
D. Mackechnie
D.M.H. Skinner

Directors' indemnities

LBG has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The Deed for existing Directors is available for inspection at the registered office of LBG. In addition, LBG has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)**

Workforce

The colleagues in the Company are employed by LBG. 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.

LBG 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. LBG 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 LBG. If employees become disabled LBG continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

LBG 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 LBG's performance through participation in an incentive scheme and various share ownership schemes provided by LBG.

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.

Suppliers

Supplier Management is delivered to the Company through an arrangement with LBG. 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. In conjunction with LBG, it is the Company's policy to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

Due to the arrangement between LBG and the Company, the Company owed no amounts directly to trade creditors as at 31 December 2023 (2022: nil).

Environment

The Company has taken an exemption from Streamlined Energy and Carbon Reporting (SECR), in its own Directors' Report as it is included within the LBG SECR report given in the LBG 2023 Annual Report and Accounts, available on the LBG website.

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.

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023 (Continued)**

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' and Strategic Reports 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 company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the 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 the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 Auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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

Scott Guild

S.C. Guild
Director
24 April 2024

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALIFAX SHARE DEALING LIMITED**

Independent auditor's report to the members of Halifax Share Dealing Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Halifax Share Dealing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 18 excluding the capital adequacy disclosures which are disclosed as unaudited within note 18.

The financial reporting framework that has been applied in their preparation is applicable law United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

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

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

Conclusions relating to going concern

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.

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.

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

Other information

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

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

We have nothing to report in this regard.

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALIFAX SHARE DEALING LIMITED (Continued)**

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

We discussed among the audit engagement team including relevant internal specialists such as IT and A&M regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the potential for fraud in revenue recognition, specifically the completeness and accuracy of the interest received on client money. The following procedures were performed to address this:

- We obtained an understanding of key controls around interest on client money;
- We recalculated interest income using principal amounts and interest rates; and
- We tested a sample of the data attributes used in our recalculation to source documents.

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

**HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HALIFAX SHARE DEALING LIMITED (Continued)**

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



Tom Noble, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
24 April 2024

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
Revenue	2	90,972	55,735
Cost of sales		(3,913)	(4,346)
Net revenue		87,059	51,389
Operating expenses	3	(28,347)	(22,236)
Impairment of financial assets	8	(281)	(1,236)
Finance costs	4	(3,214)	(1,296)
Operating profit		55,217	26,621
Finance income		3,663	587
Profit before taxation		58,880	27,208
Taxation	6	(13,866)	(5,198)
Profit after taxation		45,014	22,010
Total Comprehensive Income, net of tax		45,014	22,010

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

There were no items of other comprehensive income in the year therefore a separate statement of comprehensive income has not been prepared.

The notes on pages 17 to 28 are an integral part of these financial statements.

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investments in subsidiaries	7	1	1
		1	1
Current assets			
Trade and other receivables	8	78,290	63,084
Short-term investments	10	22,500	37,553
Cash and cash equivalents	9	45,368	56,057
		146,158	156,694
Total assets			
		146,159	156,695
Current liabilities			
Current tax liabilities	6	13,866	5,198
Trade and other payables	11	70,847	53,765
		84,713	58,963
Total liabilities			
		84,713	58,963
Equity			
Share capital	12	15,000	15,000
Retained earnings		46,446	82,732
Total Equity		61,446	97,732
Total equity and liabilities			
		146,159	156,695

The notes on pages 17 to 28 are an integral part of these financial statements.

The financial statements on pages 13 to 28 were approved by the Board of Directors and were signed on its behalf by:

Scott Guild

S.C. Guild
Director

24 April 2024

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 January 2022	15,000	60,722	75,722
Profit and Total Comprehensive Income for the year	-	22,010	22,010
Balance at 31 December 2022	15,000	82,732	97,732
Balance at 1 January 2023	15,000	82,732	97,732
Profit and Total Comprehensive Income for the year	-	45,014	45,014
Dividend Paid		(81,300)	(81,300)
Balance at 31 December 2023	15,000	46,446	61,446

The notes on pages 17 to 28 are an integral part of these financial statements.

HALIFAX SHARE DEALING LIMITED - COMPANY NUMBER 03195646
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
Cash flow generated from operating activities			
Profit before taxation		58,880	27,208
Adjustments for:			
Interest received		(3,663)	(587)
Operating profit before changes in working capital and provisions			
		55,217	26,621
(Increase) / Decrease in trade and other receivables		(15,206)	15,339
Increase / (Decrease) in trade and other payables		17,082	(19,095)
Cash generated from operating activities			
		57,093	22,865
Income tax paid		(5,198)	(3,253)
Net cash generated from operating activities			
		51,895	19,612
Cash flows generated from investing activities			
Cash from / (used in) investing activities		15,053	(7,553)
Interest received		3,663	587
Net cash generated from (used in) investing activities			
		18,716	(6,966)
Cash flows used in financing activities			
Dividend paid		(81,300)	-
Net cash used in financing activities			
		(81,300)	-
Net decrease in cash and cash equivalents		(10,689)	(12,646)
Cash and cash equivalents at 1 January		56,057	43,411
Cash and cash equivalents at 31 December			
		45,368	56,057
Cash and cash equivalents comprise			
Cash at bank	9	45,547	56,245
FX revaluation		(179)	(188)
Net cash and cash equivalents			
		45,368	56,057

The notes on pages 17 to 28 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 and comply with International Accounting Standards comply with International Financial Reporting Standards IFRSs in conformity with the requirements of the Companies Act 2006. The Company has taken exemption from the requirement of preparing consolidated financial statements, under s.400 of the Companies Act 2006, as the Company will be included within the consolidation of the Group. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. In reaching this assessment, the directors have considered the future prospects of the Company, taking into account financial resources and stress testing scenarios. Profits continue to strengthen the Company's capital and liquidity positions, both of which are in excess of internal and regulatory requirements.

1.2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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.

Revenue is derived from the transfer of services over time and at a point in time in respect of the following: Commission, foreign exchange gains, fee income and interest income.

Commission and foreign exchange gains are earned on the placement of customer trades. Income is recognised when trades are executed.

The Company earns fee income from a range of services it provides to clients. Fee income can be divided into two broad categories: annual fixed customer account fees; and fees earned from point in time services such as ad-hoc payment requests. Fixed customer account fees are recognised on a pro-rata basis over a set period of time, other ad-hoc fees are recognised at the point in time that the service is provided.

Interest income is primarily earned on client money balances placed with banking counterparties. Income is recognised in the income statement on an accruals basis, calculated using effective interest rates and the carrying value of the financial asset.

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. ACCOUNTING POLICIES (Continued)

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, cash and cash equivalents and short-term investments. 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 initially recognised at fair value and subsequently measured at amortised cost, less expected credit losses.

Cash and cash equivalents

The Company holds bank accounts with an LBG subsidiary (Bank of Scotland) and a number of other non-related parties. These include short-term deposits having original maturity less than 90 days.

Short-term investments

Short-term investments are deposits held with banks with a maturity greater than 90 days, these are carried at amortised cost as these are held by the Company within a business model whose objective is to collect contractual cash flows which are solely payments of principal and interest.

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 and other 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 receivables 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 impairments.

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

1. ACCOUNTING POLICIES (Continued)**1.9 TRADE AND OTHER PAYABLES**

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

1.10 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.

1.11 SHARE-BASED COMPENSATION

The profit of the Company is stated after charging an amount of £310k (2022: £259k) in respect of services received by the Company which have been settled by way of equity-settled share-based payment arrangements.

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

1.12 FOREIGN CURRENCIES

Items included in the financial statements are measured using the functional currency. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within revenue.

1.13 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, LBG, which is registered in Scotland. Information on the ultimate controlling parent and immediate parent can be found in note 15.

1.14 FUTURE ACCOUNTING DEVELOPMENTS

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2024, including IFRS 16 Lease liability in a sale and leaseback, IAS 1 Non-current liabilities with covenants, and IAS 1 Classification of liabilities as current or non-current. These amendments are not expected to have a significant impact on the Company.

2. REVENUE

	2023	2022
	£'000	£'000
Commission (at point in time)	12,162	14,381
Fee income (over time)	10,179	12,011
Foreign exchange (at point in time)	5,641	6,269
Interest income	62,990	23,074
	<u>90,972</u>	<u>55,735</u>

3. OPERATING EXPENSES

	2023	2022
	£'000	£'000
Fees payable to the Company's auditors and its associates in respect of:		
CASS audit-related assurance services	386	330
Interim audit of the Company's financial statements	24	-
Audit of the Company's financial statements	131	125
Operating costs recharged from LBG (see note 14 (b))	20,029	17,348
Other Direct Costs	7,777	4,433
	<u>28,347</u>	<u>22,236</u>

4. FINANCE COSTS

	2023	2022
	£'000	£'000
Interest payable to Self-invested Personal Pension customers	3,213	1,270
Bank overdraft charges	1	26
	<u>3,214</u>	<u>1,296</u>

5. DIRECTORS' EMOLUMENTS

The Company employed no permanent staff directly during the year (2022: Nil). A recharge is made by LBG to cover the costs of staff seconded to the Company. Of the directors that served during the year, 2 (2022: 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 LBG.

	2023	2022
	£'000	£'000
Total emoluments	568	458
Pension contributions	38	29
Highest paid director:		
Total emoluments	436	302
Pension Contributions	33	29

In 2023, the balance includes the value of bonuses awarded in the year. At 31 December 2023 the value of outstanding deferred bonuses was £135k (2022: nil).

No 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 2023 was nil (2022: £34k).

6. TAXATION

Analysis of tax charge for the year:	2023	2022
	£'000	£'000
UK corporation tax		
Current tax on taxable profit for the year	(13,866)	(5,170)
Adjustments in respect of prior years	-	(28)
Current tax expense	<u>(13,866)</u>	<u>(5,198)</u>

Corporation tax is calculated at a rate of 23.5% (2022: 19%) of the taxable profit for the year.

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

	2023	2022
	£'000	£'000
Profit before taxation	58,880	27,208
Tax expense thereon at UK corporation tax rate of 23.5% (2022: 19%)	(13,837)	(5,170)
Factors affecting expense:		
Disallowed items	(29)	-
Adjustments in respect of prior years	-	(28)
Total tax expense	<u>(13,866)</u>	<u>(5,198)</u>
Effective rate	23.55%	19.10%

7. INVESTMENTS IN SUBSIDIARIES

There was no movement in the Company's investment in subsidiaries during 2023 (2022: nil):

	2023	2022
	£'000	£'000
Net book value:		
As at 31 December	<u>1</u>	<u>1</u>

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

At 31 December 2023, 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

	2023	2022
	£'000	£'000
Market Debtors	28,789	22,003
Client Debtors	35,503	28,852
Other Debtors	158	163
Less provision for Impairment of financials assets:	(553)	(462)
Trade receivables - net	63,897	50,556
Prepayments and Accrued Income	14,393	12,528
Trade and other receivables	78,290	63,084

The Company's maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables as per the following table. 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 is 9 days (2022: 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.

Trade and other receivables ageing analysis as at 31 December 2023 as follows:

	Current	1 - 9 days overdue	>9 days overdue	Total
	£'000	£'000	£'000	£'000
Gross carrying amount	77,130	721	992	78,843
Loss allowance	(114)	-	(439)	(553)
Net carrying amount	77,016	721	553	78,290

Trade and other receivables ageing analysis as at 31 December 2022 as follows:

	Current	1 - 9 days overdue	>9 days overdue	Total
	£'000	£'000	£'000	£'000
Gross carrying amount	60,931	1,421	1,194	63,546
Loss allowance	(127)	(4)	(331)	(462)
Net carrying amount	60,804	1,417	863	63,084

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

	2023	2022
	£'000	£'000
Provision at 1 January	(462)	(423)
Charge	(281)	(1,236)
Release	190	1,197
Provision at 31 December	(553)	(462)

9. CASH AND CASH EQUIVALENTS

	2023	2022
	£'000	£'000
Cash and Cash Equivalents	<u>45,368</u>	<u>56,057</u>

At 31 December 2023 the Company held bank deposits totalling £1,233m (2022: £1,533m) 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. SHORT-TERM INVESTMENTS

	2023	2022
	£'000	£'000
Short-term Investments	<u>22,500</u>	<u>37,553</u>

Short-term investments are carried at amortised cost and consist of deposits placed with banks. The rates receivable range between 5 – 6% and mature in March 2024 (2022: 4 - 4.5%).

11. TRADE AND OTHER PAYABLES

	2023	2022
	£'000	£'000
Market creditors	34,541	28,039
Client creditors	27,206	20,020
Amounts owed to LBG	5,558	2,737
Other creditors	91	133
Accruals and deferred income	3,451	2,836
Trade and other payables	<u>70,847</u>	<u>53,765</u>

12. SHARE CAPITAL

	2023	2022
	£'000	£'000
Authorised, issued and fully paid share capital:		
15,000,000 (2022: 15,000,000) ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>

13. FINANCIAL INSTRUMENTS**Financial assets and liabilities carried at amortised cost**

Both cash and cash equivalents, short-term investments, 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.

14. TRANSACTIONS WITH RELATED PARTIES

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

(a) Sales of services

	2023	2022
	£'000	£'000
Interest income	706	128
Interest expense	(1)	(26)
Other commission	694	317
Total	<u>1,399</u>	<u>419</u>

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

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

(b) Purchase of services

	2023	2022
	£'000	£'000
Staff		
Wages & salaries	8,860	7,747
Social security costs	827	734
Other pension costs	1,427	1,220
Information technology	3,638	3,068
Infrastructure (Property & Operations)	3,613	2,262
Integration and Development costs	1,664	2,317
Total	<u>20,029</u>	<u>17,348</u>

Staff costs include short-term employee benefits; share based payments; and post-employment benefits. The average headcount during the year was 302 (2022: 284).

(c) Balances due to and from LBG

These are included on the balance sheet as follows:

	2023	2022
	£'000	£'000
Assets		
Cash and cash equivalents	<u>12,485</u>	<u>22,440</u>
Liabilities		
Amounts owed to LBG	<u>5,558</u>	<u>2,737</u>
	5,558	2,737

(d) Balances due to and from group undertakings (Continued)

Cash and cash equivalents relate to the Company cash balances held in current accounts with an LBG entity, Bank of Scotland plc. Amounts owed to LBG at 31 December relate to services provided to the Company by LBG (see note 14 (b)). The amounts owed are generally settled on a monthly basis. Bank overdrafts are also held with Bank of Scotland plc and are primarily used to facilitate customer trading activity on foreign markets.

14. TRANSACTIONS WITH RELATED PARTIES (Continued)

(e) 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 the Company on a normal arm's length basis. One traded during the financial year and paid commission and administration fees of £1,463 (2022: £1,356).

15. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is Embark Group Limited Registered Office: 100 Cannon Street, London EC4N 6EU. The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is Embark Group Limited. Copies of the consolidated annual report and accounts of Embark Group Ltd may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc. Registered Office: The Mound, Edinburgh EH1 1YZ, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts 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.

16. CONTINGENT LIABILITIES

LBG 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 LBG that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded its enquiry into the matter and issued a closure notice. LBG's interpretation of the UK rules has not changed and hence it appealed to the First Tier Tax Tribunal, with a hearing having taken place in May 2023. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in current tax liabilities for the company of approximately £1,965k (including interest). LBG, following conclusion of the hearing and having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

17. RISK MANAGEMENT

Liquidity Risk

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due or having to incur excessive costs to do so. The Company balance sheet is relatively non-complex with a very strong link between its capital resources and liquid assets insofar as the Company's liquid assets, given the cash nature of the business, are at least equal to the Company's Common Equity Tier 1 (CET1) Capital. Daily liquidity monitoring processes monitor the current liquidity position and ensure that any emerging liquidity trends or future liquidity needs are captured. If necessary, mitigating action can be taken to protect the Company liquidity position. The Company has sufficient funds to meet its liabilities and all liabilities are settled within agreed payment terms.

17. RISK MANAGEMENT (Continued)**Market risk**

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

2023

	-20%	Trading Commission	+20%
	£'000	£'000	£'000
Adjusted Trading Commission Income	9,730	12,162	14,595

2022

	-20%	Trading Commission	+20%
	£'000	£'000	£'000
Adjusted Trading Commission Income	11,505	14,381	17,258

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 and exchange rate risk

Exposure to credit, interest rate and foreign currency risk arises in the normal course of the Company's business. Management has appropriate risk management policies in place.

(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 maximum exposure at 31st December 2023 was as follows:

	2023	2022
Cash at bank	45,368	56,057
Short-term investments	22,500	37,553
Market Debtors	28,789	22,003
Client Debtors	35,503	28,852
Other Debtors	158	163
Accrued Income	14,159	12,174
	<u>146,477</u>	<u>156,802</u>

17. RISK MANAGEMENT (Continued)***Credit, interest and exchange rate risk (Continued)*****(a) Credit risk (Continued)**

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.

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.

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.

(b) Interest rate risk

Interest rate risk is the risk that the Company sustains losses from adverse movements in rates associated with interest bearing assets and liabilities. The Company holds interest bearing assets in the form of cash and cash deposits. Cash at bank earns interest at variable rates, whilst Term deposits are made at fixed rates, for varying periods, determined by the immediate cash requirements of the Company.

If during the year interest rates for financial assets had been 100 basis points ('bps') higher or lower with all other variables held constant, the impact on the Company's interest receivable is illustrated in the following table:

2023

	- 100 bps	Gross interest	+100 bps
	£'000	income	£'000
		£'000	£'000
Adjusted Interest Receivable	48,446	62,990	77,534

2022

	- 100 bps	Gross interest	+100 bps
	£'000	income	£'000
		£'000	£'000
Adjusted Interest Receivable	6,474	23,074	39,674

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.

17. RISK MANAGEMENT (Continued)

Credit, interest and exchange rate risk (Continued)

(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. The total of foreign balances held at 31st December 2023 was £4,540k (2022: £3,988k)

18. CAPITAL REQUIREMENTS (unaudited)

The Investment Firm Prudential Regime (IFPR) came into force on 1st January 2022 and applies to UK investment firms authorised under the Markets in Financial Instruments Directive (MIFID) as it is applied in the UK post Brexit.

The Company complied with the FCA's capital adequacy requirements throughout 2023.

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 Internal Capital Adequacy & Risk Assessment (ICARA) on an annual basis, or more frequently if there is a material change to the business. The ICARA is supplemented by a suite of annual and quarterly FCA returns that report upon the monitoring required under the IFPR. The breakdown of the capital balance comprises of share capital (£15m) and retained earnings (£46.4m).