

Registered Number 2367078

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1999



**HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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**HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS AND COMPANY INFORMATION**

DIRECTORS

CHAIRMAN
A H Jacobs

MANAGING DIRECTOR
I S Black

OTHER DIRECTORS
W A Beadle
J Pridgeon
A Selman

SECRETARY

S N Waite

REGISTERED OFFICE

Trinity Road
HALIFAX
HX1 2RG

PRINCIPAL PLACE OF BUSINESS

Permanent House
1 Lovell Park Road
LEEDS
LS1 1NS

AUDITORS

KPMG Audit Plc
1 The Embankment
Neville Street
LEEDS
LS1 4DW

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

During the year the company was primarily engaged in business as an independent intermediary for insurance and investment business.

BUSINESS REVIEW

The company has had an excellent year of trading, with commission income increasing by 45% from 1998.

RESULTS AND DIVIDEND

The results for the year are shown in the profit and loss account on page 8. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The company will continue to trade in the insurance and investment market through the development of relationships with external introducers and other parts of the Group during the forthcoming year.

ULTIMATE HOLDING COMPANY

Following a group reconstruction on 1 June 1999, a new parent undertaking, Halifax Group plc was established which owns all the ordinary share capital of Halifax plc, the previous parent undertaking. *The immediate parent undertaking is now Halifax Financial Services (Holdings) Limited.*

SUBORDINATED LOAN

During 1999 a subordinated loan was concluded between the company and Halifax plc. The loan was interest free with a total facility of £5m, all of which had been utilised as at 31 December 1999.

SUPPLIER PAYMENT POLICY

For the forthcoming period, the company's policy for the payment of suppliers will be as follows:

- payment terms will be agreed at the start of the relationship with the supplier and will only be changed by agreement;
- standard payment terms to suppliers of goods and services will be 30 days from receipt of a correct invoice for satisfactory goods or services which we have ordered and received unless other terms are agreed in a contract;
- payment will be made in accordance with the agreed terms or in accordance with the law if no agreement has been made;
- suppliers will be advised when an invoice is contested without delay and we will settle disputes as quickly as possible.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS' REPORT (CONT'D)

SUPPLIER PAYMENT POLICY (CONT'D)

The company will comply with the Better Payment Practice Group's Code. Information regarding this Code and its purpose can be obtained from the Better Payment Practice Group's website at www.payontime.co.uk.

At 31 December 1999 27 days billings from suppliers were outstanding.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year together with the dates of their appointment or resignation were as follows:-

A H Jacobs	
I S Black	
W A Beadle	
D Fisher	(resigned 25 June 1999)
J Pridgeon	(appointed 25 June 1999)
A Selman	

During the year no director had any interest in the share capital of the company or of any group undertaking other than the ultimate holding company, and no rights to subscribe for such interests were granted.

As a consequence of the corporate restructuring on 1 June 1999, the directors' share interests in Halifax plc have been exchanged for interests in Halifax Group plc shares, on the basis of 37 shares for every 40 shares previously held. Therefore the table below reflects interests in Halifax Group plc shares at 31 December 1999 and in those of Halifax plc at 1 January 1999.

The interests of the directors in the shares of the ultimate holding company, including interests in shares held beneficially under the long term and short term bonus schemes, were as follows:

	At 31 December 1999	At 1 January 1999 or later date of appointment
I S Black	7,765	3,483
J Pridgeon	9,308	5,410

Under the terms of the Halifax plc Sharesave Scheme 1997, options to acquire shares in the ultimate holding company were granted to or exercised by the following directors:

	Waived in Year	Lapsed in Year	Number of Options Granted in Year	Exercised in Year
I S Black	-	1,910	3,142	1,064
J Pridgeon	1,681	-	1,684	-

Where relevant, scheme participants agreed to waive options in Halifax plc shares and were granted replacement options in Halifax Group plc using a basis specified by the Inland Revenue.

**HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS' REPORT (CONT'D)**

DIRECTORS AND DIRECTORS' INTERESTS (CONT'D)

Messrs W A Beadle, A H Jacobs and A Selman are also directors of the immediate parent undertaking, Halifax Financial Services (Holdings) Limited, and their interests in the shares of Halifax Group plc and their options to subscribe for those shares are shown in the financial statements of Halifax Financial Services (Holdings) Limited.

REGULATION

The company is regulated in respect of its investment business under the Financial Services Act 1986 by the Personal Investment Authority.

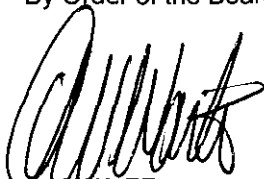
YEAR 2000 PROGRAMME

The company's ultimate parent undertaking, Halifax Group plc, continues its review across the Group on the impact of the year 2000 problem on the business. Full details of this review and the expected costs involved are included in the financial statements of Halifax Group plc. The directors of Halifax Independent Financial Advisers Limited are satisfied that, to date, no major issues have arisen as a result of year 2000 and that any future impact on the business will not be significant and accordingly any rectification costs are not expected to be material.

AUDITORS AND ANNUAL GENERAL MEETING

Pursuant to a resolution passed by the members, the company has elected to dispense with the holding of Annual General Meetings, of laying financial statements and reports before the company in General Meeting, and with the obligation to reappoint auditors annually.

By Order of the Board



S N WAITE
SECRETARY

Trinity Road
HALIFAX
HX1 2RG

10 February 2000

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements the directors are required to:

- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED**

We have audited the accounts on pages 8 to 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

10 February 2000

1 The Embankment
Neville Street
LEEDS
LS1 4DW

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

Continuing Operations			
	Note	1999 £000	1998 £000
TURNOVER	1	23,130	15,951
Operating costs		(15,498)	(13,461)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		<hr/> 7,632	<hr/> 2,490
INTEREST RECEIVABLE AND SIMILAR INCOME	2	69	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<hr/> 7,701	<hr/> 2,490
Tax on profit on ordinary activities	5	(2,329)	(801)
PROFIT RETAINED FOR THE FINANCIAL YEAR	6, 12	<hr/> <hr/> 5,372	<hr/> <hr/> 1,689

A statement of the movement on reserves is shown in Note 6 to the accounts on page 11.

The company had no recognised gains or losses in either period other than the profit for the financial period shown above.

The notes on pages 10 to 13 form part of these financial statements.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 1999

	Note	1999 £000	1998 £000
CURRENT ASSETS			
Debtors	7	19,167	14,134
Cash at Bank and in Hand		5,044	-
		<u>24,211</u>	<u>14,134</u>
CREDITORS: amounts falling due within one year	8	<u>(11,879)</u>	<u>(7,072)</u>
NET CURRENT ASSETS		12,332	7,062
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(736)</u>	<u>(838)</u>
NET ASSETS		<u><u>11,596</u></u>	<u><u>6,224</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	200	200
Profit and loss account	6	11,396	6,024
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>11,596</u></u>	<u><u>6,224</u></u>

These financial statements were approved by the Board of Directors on 10 February 2000 and signed on its behalf by:



J S BLACK

DIRECTOR

The notes on pages 10 to 13 form part of these financial statements.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention.

The financial statements have been prepared in accordance with the requirement of a new Financial Reporting Standard (FRS 12). There have been no changes to the company's accounting policies other than those required by the adoption of FRS 12. There have been no changes to previously reported figures as a result of adopting the new standard.

1.2 TURNOVER

Turnover comprises commission and fees earned in respect of insurance and investment business and is stated net of commissions and fees paid for introduction of business. Provision is made for the future clawback of commission received under indemnity terms, and is based on guidance set out in the SIB rules (see note 9). Turnover relates entirely to activities within the UK.

1.3 CASH FLOW STATEMENT

Under FRS1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking, and the consolidated financial statements of Halifax Group plc, in which the financial statements of the company are included are publicly available.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	1999 £000	1998 £000
Bank interest receivable	69	-

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £000	1998 £000
Profit on ordinary activities before taxation is stated after charging:		
Remuneration of auditors and their associates		
- for audit work	10	11
Recharges from Group undertakings	14,717	12,155

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONT'D)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONT'D)

The recharges from Group undertakings comprise salary and related costs in respect of employees of Halifax plc, who are engaged in the activities of the company.

4 STAFF NUMBERS AND COSTS

The company employed no permanent staff directly during either of the financial years. A recharge is made by Group undertakings to cover the costs of staff engaged in the activities of the company (note 3).

The emoluments of the directors were as follows:

	1999 £000	1998 £000
Directors' emoluments	-	49

Directors' emoluments include the cash value of bonuses paid in the year as the level of bonuses requires Group approval which will not be received until after the approval of the subsidiary undertakings' financial statements.

Retirement benefits are accruing to the following number of directors under:

	Number of directors 1999	1998
Money purchase schemes	-	1
Defined benefit schemes	-	1

Details of directors' share options are shown in the Directors' Report on page 4.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £000	1998 £000
The charge for the year, based on a corporation tax rate of 30.25% (1998: 31.0%)		
Corporation tax	2,329	802
Adjustments relating to prior years	-	(1)
	<u>2,329</u>	<u>801</u>

6 PROFIT AND LOSS ACCOUNT

	1999 £000
At 1 January 1999	6,024
Profit for the financial year	5,372
At 31 December 1999	<u>11,396</u>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONT'D)

7 DEBTORS

	1999 £000	1998 £000
Amounts owed by parent and fellow subsidiary undertakings	18,918	13,912
Prepayments and accrued income	249	222
	<u>19,167</u>	<u>14,134</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £000	1998 £000
Amounts owed to parent and fellow subsidiary undertakings	3,801	5,925
Subordinated loan	5,000	-
Corporation tax payable	1,957	802
Other creditors	1,121	345
	<u>11,879</u>	<u>7,072</u>

During the year a £5,000,000 loan was advanced to the company by Halifax plc, under the terms of a new subordinated loan facility. The loan is subject to a maximum of £5 million, is interest free, and has no fixed term for repayment. Repayment may only be effected with the consent of the company's regulator, the Personal Investment Authority.

9 PROVISIONS FOR LIABILITIES AND CHARGES

	1999 £000	1998 £000
CLAWBACK PROVISION		
At 1 January 1999	838	720
Profit and loss account		
Charge for current year's sales	285	413
Utilised in year	(387)	(295)
At 31 December 1999	<u>736</u>	<u>838</u>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999 (CONT'D)

10 CALLED UP SHARE CAPITAL

	1999 £000	1998 £000
Authorised 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up, and fully paid 200,000 ordinary shares of £1 each	<u>200</u>	<u>200</u>

11 CONTINGENT LIABILITIES

Following a review of pension mis-selling given by a sample of companies regulated under the Financial Services Act 1986 by the Securities and Investments Board (SIB) in 1994, the company has undertaken to review its own pension business. An amount has been provided in the financial statements of Halifax plc representing the company's best estimate of the probable liability for the group.

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £000	1998 £000
Profit for the financial year	5,372	1,689
Opening shareholders' funds	<u>6,224</u>	<u>4,535</u>
Closing shareholders' funds	<u>11,596</u>	<u>6,224</u>

13 TRANSACTIONS WITH RELATED PARTIES

Halifax Independent Financial Advisers Limited, as a wholly owned subsidiary undertaking of Halifax Group plc, has taken advantage in the preparation of its financial statements of an exemption contained in FRS 8, "Related Party Disclosures". This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties as the consolidated financial statements in which Halifax Independent Financial Advisers Limited is included are publicly available.

14 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of Halifax Group plc, which is registered in England and Wales and operates in the United Kingdom. Copies of the financial statements of Halifax Group plc can be obtained from Trinity Road, Halifax, West Yorkshire, HX1 2RG, which is its principal place of business.