

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

11 MONTHS ENDED 31ST DECEMBER 1996



HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

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HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
DIRECTORS AND COMPANY INFORMATION

DIRECTORS

CHAIRMAN

J R Crosby

MANAGING DIRECTOR

B Abram

OTHER DIRECTORS

W A Beadle

P M Martin

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

AUDITOR

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 accounts for the 11 months ended 31st December 1996.

PRINCIPAL ACTIVITY

Throughout the period under review the company was primarily engaged in business as an independent intermediary for insurance and investment business.

BUSINESS REVIEW

The company has increased its activities in the insurance and investment market during the period.

During the period, the company's accounting reference date was changed to 31st December in order to achieve consistency with that of its ultimate parent undertaking, Halifax Building Society.

RESULTS AND DIVIDEND

The results for the period are shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The company will continue to increase its activities in the insurance and investment market through the development of relationships with external introducers and other parts of the Group.

On 1st January 1997, the whole of the company's issued share capital was transferred from Halifax Building Society to HCM Holdings Limited, itself a wholly owned subsidiary of Halifax Building Society.

SUPPLIER PAYMENT POLICY

For the forthcoming financial period, the company's policy with regards to payment of its suppliers will be as follows

payment terms will be agreed at the start of the relationship with the supplier;

any changes in terms will be fully discussed and agreed with the supplier;

standard payment terms to suppliers of goods and services will be the end of the month following the month of the invoice date, subject to the quality of goods and services and the accuracy of billing;

non-standard payment terms will apply where an alternative contract or agreement exists, whereby Halifax Independent Financial Advisers Limited agrees to meet all payments under that arrangement, subject to a satisfactory invoice or statement being received.

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

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were as follows:

J R Crosby
B Abram
W A Beadle
P M Martin
A Selman

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

CHARITABLE AND POLITICAL DONATIONS

During the year the company made no charitable donations or political contributions.

REGULATION

The company is regulated in respect of its investment business under the Financial Services Act 1986 by the Personal Investment Authority. Prior to 20th February 1995 the company was regulated by the Securities and Investments Board.

AUDITOR AND ANNUAL GENERAL MEETINGS

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

By Order of the Board



S N WAITE
SECRETARY

Trinity Road
HALIFAX
HX1 2RG

12th February 1997

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period 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 accounts 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 accounts;
- . prepare the accounts 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 accounts comply with the Companies Act 1985. They have a 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 AUDITOR
TO THE MEMBERS OF HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED**

We have audited the accounts on pages 7 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITOR

As described on page 5 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1996 and of its profit for the eleven months then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

12th February 1997

1 The Embankment
Neville Street
LEEDS
LS1 4DW

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996

Continuing Operations			
	Note	11 months ended 31st December 1996 £000	Year ended 31st January 1996 £000
TURNOVER	1	10,266	7,602
Staff costs	3	-	(4,623)
Other operating charges			
Other		(8,486)	(2,950)
Exceptional		-	(485)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,780	(456)
Tax on (profit)/loss on ordinary activities	4	(606)	151
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD	5, 12	1,174	(305)
		<hr/> <hr/>	<hr/> <hr/>

A statement of the movement on reserves is shown in Note 5 to the accounts on page 12.

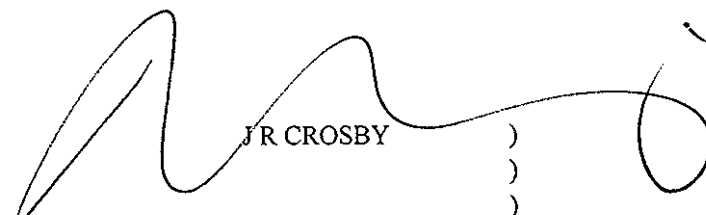
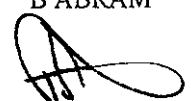
The company had no recognised gains or losses other than the profit/(loss) for the financial periods shown above.

The notes on pages 9 to 14 form part of these accounts.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
BALANCE SHEET AS AT 31ST DECEMBER 1996

	Note	31st December 1996 £000	31st January 1996 £000
CURRENT ASSETS			
Debtors	6	5,535	3,317
CREDITORS: amounts falling due within one year			
	7	(2,260)	(1,226)
NET CURRENT ASSETS		<u>3,275</u>	<u>2,091</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
	8	(577)	(567)
NET ASSETS		<u><u>2,698</u></u>	<u><u>1,524</u></u>
CAPITAL AND RESERVES			
Called up share capital	10	200	200
Profit and loss account	5	2,498	1,324
EQUITY SHAREHOLDERS' FUNDS	12	<u><u>2,698</u></u>	<u><u>1,524</u></u>

Approved by the Board of Directors on 12th February 1997 and signed on its behalf by:


 J R CROSBY)
)
)
) DIRECTORS
)
)
)
 B ABRAM


The notes on pages 9 to 14 form part of these accounts.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996

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 accounts.

1.1 BASIS OF PREPARATION

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

1.2 TURNOVER

Turnover represents commission and fees earned in respect of insurance and investment business and includes a provision for the future claw back of indemnity commission. The provision is based on guidance set out in the SIB rules as follows:-

	11 months ended 31st December 1996 £000	Year ended 31st January 1996 £000
Gross commission income	10,655	8,089
Provision for future claw back of indemnity commission (note 8)	(389)	(487)
	<hr/>	<hr/>
Net commission income	10,266	7,602
	<hr/>	<hr/>

1.3 PENSION COSTS

In the year ended 31st January 1996, the cost of providing retirement pensions and related benefits was charged to the profit and loss account over the period which benefits from the employees' services. In the 11 months ended 31st December 1996 the staff engaged in the services of the company were employees of Halifax Building Society. The pension cost has been recharged to Halifax Independent Financial Advisers Limited.

1.4 CASH FLOW STATEMENT

Under FRS1 (Revised 1996) which the company has adopted, it is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996 (CONT'D)

2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	11 months ended 31st December 1996 £000	Year ended 31st January 1996 £000
Profit/(Loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
- for audit work	11	10
Exceptional charge	-	485
Claw back provision (note 8)	10	487
	<hr/>	<hr/>

Following the transfer of engagements of Leeds Permanent Building Society to Halifax Building Society on 1st August 1994, certain assets of Leeds Permanent Financial Planning Limited (LPFP) were transferred to the company. The exceptional charges relates to the costs incurred in integrating the business of LPFP.

3 STAFF NUMBERS AND COSTS

The company employed no persons during the financial period. From 1st February 1996 staff engaged in the activities of the company have been employed by Halifax Building Society who recharged the cost of salaries and related expenditure to Halifax Independent Financial Advisers Limited. The average number of staff employed for the year ended 31st January 1996, analysed by category, was as follows:-

	11 months ended 31st December 1996	Year ended 31st January 1996
Selling	-	107
Administration	-	91
	<hr/>	<hr/>
	-	198
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:-

	11 months ended 31st December 1996 £000	Year ended 31st January 1996 £000
Wages and salaries	-	3,776
Social Security costs	-	248
Other pension costs	-	599
	<hr/>	<hr/>
	-	4,623
	<hr/>	<hr/>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996 (CONT'D)

3 STAFF NUMBERS AND COSTS (CONT'D)

From 1st February 1996 the directors have been employed by Halifax Building Society and their emoluments have been recharged to the company. The emoluments of the directors were as follows:-

	11 months ended 31st December 1996 £'000	Year ended 31st January 1996 £'000
Directors' emoluments:		
Remuneration as executives	65	69
	<hr/>	<hr/>

The chairman received no emoluments during either the current or preceding period. The emoluments of the highest paid director, excluding pension contributions were £63,401 (31st January 1996:£68,351).

The emoluments, excluding pension contributions, of the directors (including the chairman and the highest paid director) were within the following ranges:

£	£	11 months ended 31st December 1996 Number	Year ended 31st January 1996 Number
0	-	5,000	4
60,001	-	65,000	1
65,001	-	70,000	-
			1

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	11 months ended 31st December 1996 £'000	Year ended 31st January 1996 £'000
UK Corporation tax at 33% (year ended 31 January 1996: 33%) profit/(loss) for the period on ordinary activities	606	(140)
Release of over provision in previous years	-	(11)
	<hr/>	<hr/>
	606	(151)
	<hr/>	<hr/>

The liability for the period is to be offset by losses surrendered by other group undertakings for which payment will be made.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996 (CONT'D)

5 RESERVES

	31st December 1996 £000	31st January 1996 £000
PROFIT AND LOSS ACCOUNT		
At 1 February 1996/1995	1,324	1,629
Profit/(Loss) for the financial period	1,174	(305)
	<hr/>	<hr/>
At 31 December 1996/31 January 1995	2,498	1,324
	<hr/>	<hr/>

6 DEBTORS

	31st December 1996 £'000	31st January 1996 £'000
Amounts owed by fellow subsidiary undertakings	5,414	3,019
Corporation tax owed by parent undertaking	-	140
Prepayments and accrued income	121	158
	<hr/>	<hr/>
	5,535	3,317
	<hr/>	<hr/>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31st December 1996 £'000	31st January 1996 £'000
Amounts owed to fellow subsidiary undertakings	1,385	770
Corporation tax	606	-
Other creditors	269	456
	<hr/>	<hr/>
	2,260	1,226
	<hr/>	<hr/>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996 (CONT'D)

8 PROVISIONS FOR LIABILITIES AND CHARGES

	31st December 1996 £000	31st January 1996 £000
CLAW BACK PROVISION		
At 1 February 1996/1995	567	-
Provision transferred from Leeds Permanent Financial Planning Limited	-	80
Profit and loss account	389	487
Release of provision	(379)	
	<hr/>	<hr/>
At 31 December 1996/31 January 1995	577	567
	<hr/>	<hr/>

9 PENSION COMMITMENT

The company participates in the main group pension scheme, which is a defined benefit scheme. Particulars of the latest actuarial valuation of the main scheme are disclosed in the accounts of Halifax Building Society. The pension fund surplus in the main scheme attributable to those members employed by Halifax Independent Financial Advisers Limited is dealt with in the accounts of Halifax Building Society.

10 CALLED UP SHARE CAPITAL

	31st December 1996 £000	31st January 1996 £000
Authorised 1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up, and fully paid 200,000 ordinary shares of £1 each	200	200
	<hr/>	<hr/>

11 CONTINGENT LIABILITIES

Following a review of pension transfer advice given by a sample of companies regulated under the Financial Services Act 1986 by the Securities and Investments Board in 1994, the company has undertaken to review its own pension transfer business. An amount has been provided in the accounts of Halifax Building Society representing the Society's best estimate of the probable liability for the group.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE ACCOUNTS
FOR THE 11 MONTHS ENDED 31ST DECEMBER 1996 (CONT'D)

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31st December 1996 £'000	31st January 1996 £'000
Profit/(Loss) for the financial period	1,174	(305)
Opening shareholders' funds	1,524	1,829
	<hr/>	<hr/>
Closing shareholders' funds	2,698	1,524
	<hr/>	<hr/>

13 TRANSACTIONS WITH RELATED PARTIES

Halifax Independent Financial Advisers Limited, as a wholly owned subsidiary undertaking of Halifax Building Society, has taken advantage in the preparation of its accounts 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 accounts 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 Building Society, which is registered in England and operates in the United Kingdom. Copies of the Accounts of Halifax Building Society can be obtained from Trinity Road, Halifax, West Yorkshire, HX1 2RG, which is its principal place of business.