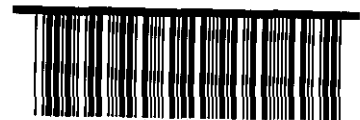


Registered Number 2367078

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001



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**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

K W Abercromby

MANAGING DIRECTOR

R J H Milne

OTHER DIRECTORS

W A Beadle

I S Black

S H Burton

C G Haines

R G Myers

A Selman

SECRETARY

R K Moorhouse

REGISTERED OFFICE

Trinity Road
Halifax
West Yorkshire
HX1 2RG

PRINCIPAL PLACE OF BUSINESS

Trinity Road
Halifax
West Yorkshire
HX1 2RG

AUDITORS

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
West Yorkshire
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 2001.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

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

Throughout 2001 the company was closed to new face to face advice business in the insurance and investment market.

Existing business will continue to be serviced and will generate renewal commission during the forthcoming year.

BUSINESS REVIEW

The company received renewal commission of £4.6 million during the year. The trading results also reflect £1.4 million of customer rebates arising from the decision to close to new business and a £1.5 million provision for potential sales force compensation claims.

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.

SUBORDINATED LOAN

The subordinated loan for £5 million advanced to the company by Halifax plc during 1999 has remained in place throughout the year. Repayment of the loan may only be effected with the consent of the company's regulator, the Financial Services Authority.

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 2001 23 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:-

K W Abercromby	
W A Beadle	
I S Black	
S H Burton	(appointed 16 November 2001)
C G Haines	(appointed 16 November 2001)
R J H Milne	(appointed 16 November 2001)
R G Myers	(appointed 16 November 2001)
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.

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 2001	At 1 January 2001 or date of appointment
I S Black	18,784	20,678
R J H Milne	10,294	8,571

Share interests in the long term bonus scheme included above represent the maximum number which could be released under the terms of that scheme.

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

DIRECTORS AND DIRECTORS' INTERESTS (CONT'D)

Under the terms of the group sharesave schemes options to acquire shares in the ultimate holding company were granted to or exercised by the following directors:

	Number of Options Granted in Year	Exercised in Year
I S Black	-	-
S H Burton	3,002	-
R J H Milne	1,723	-

Where relevant, scheme participants agreed to waive options in Halifax Group plc shares and were granted replacement options in HBOS plc.

Messrs K W Abercromby, W A Beadle, R G Myers and A Selman were also directors of the immediate parent undertaking, Halifax Financial Services (Holdings) Limited, as at 31 December 2001, and their interests in the shares of HBOS 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 by the Financial Services Authority under the Financial Services and Markets Act 2000.

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



R K MOORHOUSE
Secretary

Trinity Road
Halifax
West Yorkshire
HX1 2RG

14 February 2002

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

We have audited the financial statements on pages 8 to 14.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND 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 1985. 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 February 2002

1 The Embankment
Neville Street
Leeds
LS1 4DW

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2001

		Discontinued operations	
	Note	2001 £000	2000 £000
TURNOVER	1	4,586	19,533
Operating Costs		(1,824)	(14,341)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		2,762	5,192
INTEREST RECEIVABLE AND SIMILAR INCOME	2	272	305
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,034	5,497
Tax on profit on ordinary activities	5	(904)	(1,650)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR	6, 12	2,130	3,847
		<hr/>	<hr/>

A statement of the movement on reserves is shown in Note 6 to the accounts on page 12.

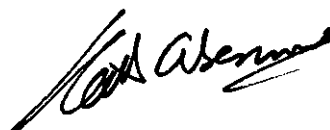
The company has no recognised gains or losses in either year other than the profit for the financial year shown above.

The notes on pages 10 to 14 form part of these financial statements.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2001

	Note	2001 £000	2000 £000
CURRENT ASSETS			
Debtors	7	24,854	22,490
Cash at bank and in hand		5,646	5,373
		<hr/>	<hr/>
		30,500	27,863
CREDITORS: amounts falling due within one year	8	(12,573)	(11,735)
		<hr/>	<hr/>
NET CURRENT ASSETS		17,927	16,128
PROVISION FOR LIABILITIES AND CHARGES	9	(354)	(685)
		<hr/>	<hr/>
NET ASSETS		17,573	15,443
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	200	200
Profit and loss account	6	17,373	15,243
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	12	17,573	15,443
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 14 February 2002 and were signed on its behalf by:



K W ABERCROMBY

DIRECTOR

The notes on pages 10 to 14 form part of these financial statements.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001

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.

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 FRS 1 (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 HBOS plc, in which the financial statement of the company are included, are publicly available.

1.4 TAXATION

Corporation tax is provided on the profit on ordinary activities as adjusted for taxation purposes. Provision is made for deferred taxation using the liability method at an appropriate rate of corporation tax for all material timing differences where it is considered that a liability will crystallise in the foreseeable future.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£000	£000
Bank interest receivable	272	305
	<hr/>	<hr/>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONT'D)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £000	2000 £000
Profit on ordinary activities before taxation is stated after charging:		
Remuneration of auditors and their associates		
- for audit work	10	10
Recharges from Group undertakings	256	13,110
	<hr/>	<hr/>

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 directors received no emoluments from the company in either the current or the previous financial year. Details of directors' share options are shown in the Directors' Report on page 4.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
The charge for the year, based on a corporation tax rate of 30% (2000 30%)		
Corporation tax	904	1,650
	<hr/>	<hr/>

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONT'D)

6. PROFIT AND LOSS ACCOUNT

	2001 £000
At 1 January	15,243
Profit for the financial year	2,130
	<hr/>
At 31 December	17,373
	<hr/>

7. DEBTORS

	2001 £000	2000 £000
Amounts owed by Group undertakings	24,854	22,188
Prepayments and accrued income	-	302
	<hr/>	<hr/>
	24,854	22,490
	<hr/>	<hr/>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £000	2000 £000
Amounts owed to Group undertakings	4,635	4,660
Subordinated loan	5,000	5,000
Corporation tax payable	743	1,216
Other creditors	2,195	859
	<hr/>	<hr/>
	12,573	11,735
	<hr/>	<hr/>

During the year no further amounts were advanced to the company by its parent undertaking, Halifax plc on the subordinated loan facility. The outstanding loan is subject to a maximum facility 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 Financial Services Authority.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONT'D)

9. PROVISIONS FOR LIABILITIES AND CHARGES

	2001	2000
	£000	£000
CLAWBACK PROVISION		
At 1 January	685	736
Profit and loss account		
Charge for previous year's sales	-	200
Credit to current year's sales	(192)	-
Utilised/released in year	(139)	(251)
	<hr/>	<hr/>
At 31 December	354	685
	<hr/>	<hr/>

10. CALLED UP SHARE CAPITAL

	2001	2000
	£000	£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

A pensions review provision has been provided in the financial statements of HBOS plc to cover estimated administrative costs and compensation payable in connection with phases 1 and 2 of the pensions review.

HALIFAX INDEPENDENT FINANCIAL ADVISERS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001 (CONT'D)

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2001 £000	2000 £000
Profit for the financial year	2,130	3,847
Opening equity shareholders' funds	15,443	11,596
	<hr/>	<hr/>
Closing equity shareholders' funds	17,573	15,443
	<hr/>	<hr/>

13. TRANSACTIONS WITH RELATED PARTIES

Halifax Independent Financial Advisers Limited, as a wholly owned subsidiary undertaking of HBOS plc, has relied on the exemption contained in FRS 8, "Related Party Disclosures", in the preparation of its financial statements. 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 largest Group in which the results of the Company are consolidated is that headed by HBOS plc which acquired 100% of the ordinary share capital of Halifax Group plc on 10 September 2001, the smallest Group in which the Company is consolidated.

Copies of HBOS plc accounts are available from The Mound, Edinburgh, EH1 1YZ.

The Company's ultimate parent undertaking is HBOS plc.