

Birmingham Midshires Mortgage Services No. 1 Limited

Directors' Report & Financial Statements

Year ended 31 December 2000

Registered No: 2538866



Directors' Report and Financial Statements

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Directors and Company Information

Directors

PR Beddows
JW Gresham

Secretary

DJ McPherson

Registered Office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Registered Auditors

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

**Directors' Report
for the year ended 31 December 2000**

The directors present their report together with the audited accounts for the year ended 31 December 2000.

Business objectives and principal activities

The company's principal activity is mortgage related finance. The company has operated satisfactorily. On the 1st December, the company sold all of its mortgage assets to Halifax plc, its ultimate parent undertaking. The transaction was at book value realising neither a profit or loss. The company is not expected to trade in the foreseeable future

Results for the year

The profit for the year carried forward to reserves as at 31 December 2000 was £1,380,000 (1999 : profit £1,435,000). The directors do not recommend the payment of a dividend.

Payment to suppliers

Invoices are processed on behalf of the company by Birmingham Midshires, a division of Halifax plc. When agreeing commercial arrangements with suppliers, settlement terms are negotiated. Failing such agreement the standard terms of payment are 30 days from the invoice date. The average length of payment to suppliers was 25 days in 2000.

Directors and Directors Interests

The directors who have served during the year were as follows:

JW Gresham
WG Thomas (resigned 29/09/2000)
PR Beddows (appointed 29/09/2000)

During the year no director had any interest in the share capital of the 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 2000	At 1 January 2000
JW Gresham	18,318	Nil
PR Beddows	6,054	Nil

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

Under the terms of the Halifax Group plc sharesave scheme 1999, options to acquire shares in the ultimate holding company were granted to or exercised by the following directors:

	Number of Options granted	Exercised in the Year
JW Gresham	4,115	Nil
PR Beddows	4,115	Nil

Auditors & Annual General Meeting

Following 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.



D J McPherson
Secretary
Halifax

9 February 2001

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 and 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 Birmingham Midshires Mortgage Services No.1 Limited

We have audited the financial statements on pages 7 to 12.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the director's report and, as described on page 5, 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 director's 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, 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 at 31 December 2000 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 and Registered Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

9 February 2001

Profit and Loss Account

For the year ended 31 December

	Note	2000 £000's	1999 £000's
Interest receivable		2,893	2,263
Interest payable	2	(903)	-
Gross profit		<u>1,990</u>	<u>2,263</u>
Administrative expenses	3	(81)	(139)
Profit on ordinary activities before taxation		<u>1,909</u>	<u>2,124</u>
Taxation on profit on ordinary activities	5	(529)	(689)
Profit on ordinary activities after taxation		<u><u>1,380</u></u>	<u><u>1,435</u></u>

The company had no acquisitions in the period. The above profit and loss account is in respect of discontinued operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Statement of Total Recognised Gains and Losses

for the year ended 31 December

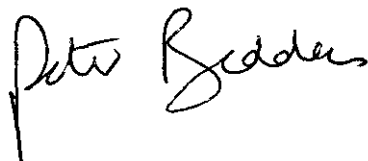
	2000 £000's	1999 £000's
Profit for Financial Year	1,380	1,435
Prior year adjustment	-	(29)
Total gains recognised since last annual report	<u><u>1,380</u></u>	<u><u>1,406</u></u>

Balance Sheet

as at 31 December

	Note	2000 £000's	1999 £000's
Current assets:			
Debtors : amounts falling due within one year	6	24,391	247
: amounts falling due after more than one year	7	-	19,434
Total current assets		<u>24,391</u>	<u>19,681</u>
Creditors: amounts falling due within one year	8	(21,706)	(18,376)
Net Assets		<u>2,685</u>	<u>1,305</u>
Capital and reserves:			
Called up share capital	10	12	12
Profit and loss account	11	2,673	1,293
Equity shareholders' funds	12	<u>2,685</u>	<u>1,305</u>

These financial statements were approved by the Board of Directors on 9 February 2001 and were signed on its behalf by:



P Beddows, Director

The notes on the pages 9 to 12 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December

1 ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, including the new Financial Reporting Standard (FRS16). There have been no changes to the company's accounting policies other than those required by the adoption of FRS16. A summary of the more important accounting policies which have been applied consistently is set out below.

BASIS OF ACCOUNTING

The accounts are prepared in accordance with the historical cost convention.

GOING CONCERN

The directors of the ultimate parent undertaking, Halifax Group plc, have agreed to the continued support of Birmingham Midshires Mortgage Services No. 1 Limited. Therefore the financial statements have been prepared on the going concern basis.

DEFERRED TAXATION

Provision is made using the liability method for deferred taxation only to the extent that such taxation will become payable in the foreseeable future.

MORTGAGE INDUCEMENTS

Discounts on mortgages reduce interest receivable over an appropriate period. Cashback payments made as incentives to borrowers are charged to interest receivable as incurred.

PROVISION FOR LOSSES ON LOANS AND ADVANCES

Provision for losses on commercial assets, which include both those specifically identified and those provided for on a general basis, has been based upon a year end appraisal of the assets concerned. The amount charged to the profit and loss account represents losses written off in the period together with the increase in the ongoing provision less any releases. Interest charged to mortgage accounts relating to impaired loans which is considered to be irrecoverable is not recognised as interest receivable in the year.

INTEREST RECEIVABLE

Interest receivable is stated net of discounts, commissions and management fees earned from the company's principal activity in the United Kingdom.

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 ultimately 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 PAYABLE

	2000	1999
	£000's	£000's
On group balances	903	-
	<u>903</u>	<u>-</u>

3 ADMINISTRATIVE EXPENSES

	2000	1999
	£000's	£000's
Auditors' remuneration	5	-
Increase in provision for losses on mortgage and losses written off	75	90
Other management costs	1	49
Total Administrative Expenses	<u>81</u>	<u>139</u>

4 DIRECTORS EMOLUMENTS

None of the Directors received emoluments for their services in 2000 and 1999.

5 TAXATION ON PROFIT ORDINARY ACTIVITIES

	2000	1999
	£000's	£000's
United Kingdom Corporation Tax charge at 28.8% (1999: 30.25%):		
Current	553	689
Under/Over provision in previous years	(24)	-
	<u>529</u>	<u>689</u>

6 DEBTORS

	2000	1999
	£000's	£000's
Amounts falling due within one year:		
Prepayments and Sundry debtors	-	235
Amounts due from ultimate parent undertaking	24,355	-
Deferred Taxation	36	12
	<u>24,391</u>	<u>247</u>

7 MORTGAGES ADVANCES

The advances are in general for a period of 20 to 25 years, are repayable in full at the end of that period and may be redeemed at any time at the option of the borrower.

	2000 £000's	1999 £000's
Advances secured on residential property	-	19,565
Loss and arrears provision	-	(131)
	-	19,434

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £000's	1999 £000's
Bank overdraft	-	1,059
Amounts owed to parent undertaking	21,373	16,619
Corporation taxation	329	684
Other creditors	4	14
	21,706	18,376

9 DEFERRED TAXATION

	2000 £000's	1999 £000's
Deferred taxation effect of timing differences because of excess capital allowances over depreciation	36	12

The movement on the deferred taxation debtor is as follows:

As at January 1	12	-
Transferred from Profit and Loss	24	12
At 31 December	36	12

10 CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised 50,000 ordinary shares of £1 each	50,000	50,000
Allotted and fully paid 2 ordinary shares of £1 each	2	2
Allotted and 25 pence part paid 49,998 ordinary shares of £1 each	12,500	12,500
	12,502	12,502

11 PROFIT AND LOSS ACCOUNT

	2000 £000's	1999 £000's
At 1 January	1,293	(142)
Profit for the financial year	1,380	1,435
At 31 December	<u>2,673</u>	<u>1,293</u>

12 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS FUNDS

	2000 £000's	1999 £000's
Shareholders funds at 1st January	1,305	(130)
Profit for the financial year	1,380	1,435
Shareholders fund at 31st December	<u>2,685</u>	<u>1,305</u>

13 RELATED PARTY TRANSACTIONS

Birmingham Midshires Mortgage Services No. 1 Limited as, ultimately, a wholly owned subsidiary undertaking of Halifax plc, has prepared its financial statements in accordance with an exemption contained in FRS8, "Related Party Disclosures". Under this exemption the company has not disclosed details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements, in which Birmingham Midshires Mortgage services No.1 Ltd 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. Halifax Group plc is the ultimate parent undertaking and heads the largest higher group of undertakings for which group accounts are drawn up and of which the company is a member. Halifax plc, which is also registered in England and Wales and operates in the United Kingdom, is the company which heads the smallest higher group of undertakings for which group accounts are drawn up and which the company is a member.

Copies of the financial statements of Halifax Group plc and Halifax plc can be obtained from Trinity Road, Halifax, West Yorkshire, HX1 2RG, which is the principal place of business for both companies.