

Registered Number 2045934

HALIFAX FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2000



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**HALIFAX FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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**HALIFAX FINANCIAL SERVICES LIMITED
DIRECTORS AND COMPANY INFORMATION**

DIRECTORS

CHAIRMAN
M H Ellis

MANAGING DIRECTOR
K W Abercromby

OTHER DIRECTORS
W A Beadle
A H Hornby
A Selman

SECRETARY

D J McPherson

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 FINANCIAL SERVICES LIMITED DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

During the year the company was primarily engaged in selling the financial services products of its fellow subsidiaries, Halifax Life Limited and Halifax Unit Trust Management Limited, through the branch network of Halifax Group plc. The company is an appointed representative of Halifax Life Limited and Halifax Unit Trust Management Limited.

BUSINESS REVIEW

Sales activity has been maintained at a similar level to that achieved during the prior year.

FUTURE DEVELOPMENTS

The company will continue to sell the financial services products of its fellow subsidiaries for the foreseeable future.

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.

SUPPLIER PAYMENT POLICY

For the forthcoming period, the company's policy for the payment of its 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;
- payments 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 FINANCIAL SERVICES 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 2000 24 days billing from suppliers were outstanding.

DIRECTORS AND DIRECTORS' INTERESTS

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

KW Abercromby	(appointed 21 August 2000)
W A Beadle	
M H Ellis	
A H Hornby	(appointed 1 May 2000)
A H Jacobs	(resigned 21 August 2000)
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.

Messrs K W Abercromby, W A Beadle 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.

Messrs M H Ellis and A H Hornby are also directors of the ultimate holding company and their interests in the shares of that company and options to subscribe for those shares are therefore disclosed in the holding company's financial statements.

REGULATION

Halifax Financial Services Limited is an appointed representative of Halifax Life Limited and Halifax Unit Trust Management Limited who are regulated by the Personal Investment Authority and, in respect of Halifax Unit Trust Management Limited, also by the Investment Management Regulatory Organisation Limited.

**HALIFAX FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT (CONT'D)**

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 Meetings, and with the obligation to reappoint auditors annually.

By Order of the Board



D.J. MCPHERSON
SECRETARY

Trinity Road
HALIFAX
HX1 2RG

16 February 2001

**HALIFAX FINANCIAL SERVICES 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 as at the end of the financial year and of the profit or loss of the company for the financial year. 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 which enable them to ensure that the financial statements 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 AUDITORS
TO THE MEMBERS OF HALIFAX FINANCIAL SERVICES LIMITED**

We have audited the financial statements on pages 8 to 15.

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. 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 2000 and of its loss 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

16 February 2001

1 The Embankment
Neville Street
LEEDS
LS1 4DW

**HALIFAX FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000**

		Continuing operations	
	Note	2000 £'000	1999 £'000
TURNOVER	2	46,227	49,546
Operating Costs		(55,699)	(51,701)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(9,472)	(2,155)
Tax on loss on ordinary activities	5	2,808	328
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	6, 12	(6,664)	(1,827)
		<hr/>	<hr/>

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

The company had no recognised gains or losses other than the loss for the financial years shown above.

The notes on pages 10 to 15 form part of these financial statements.

HALIFAX FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2000

	NOTE	2000 £'000	1999 £'000
CURRENT ASSETS			
Debtors	7	42,351	43,169
CREDITORS: amounts falling due within one year	9	(54,350)	(48,116)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(11,999)	(4,947)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(7,759)	(8,147)
		<hr/>	<hr/>
NET LIABILITIES		(19,758)	(13,094)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss account	6	(19,858)	(13,194)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	12	(19,758)	(13,094)
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors on 16 February 2001 and were signed on its behalf by :-



K W ABERCROMBY
DIRECTOR

The notes on pages 10 to 15 form part of these financial statements.

**HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000**

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 according to the going concern basis, as Halifax Group plc, the ultimate parent undertaking has indicated that it will continue to provide financial and other support for the foreseeable future.

1.2 TURNOVER

Commissions and fees on sales of financial services products are recognised as earned when the policy goes on risk. Other commissions are accounted for on a cash received basis. Provision is made for the future clawback of commission received under indemnity terms (see note 10). Turnover is stated net of commissions payable to fellow subsidiaries for the introduction of business.

1.3 DEFERRED TAXATION

Provision is made using the liability method at the relevant rate of corporation tax for all material timing differences where it is considered that a liability will crystallise in the foreseeable future.

1.4 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.

HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (CONT'D)

2. TURNOVER

Turnover comprises commissions arising from the sale of life assurance and unit trust products, and is derived entirely from UK sources as follows:-

	2000 £'000	1999 £'000
Fellow subsidiaries	44,587	46,521
Other	1,640	3,025
	<hr/> 46,227 <hr/>	<hr/> 49,546 <hr/>

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £'000	1999 £'000
Loss on ordinary activities before taxation is stated after charging:-		
Remuneration of auditors and their associates		
- for audit work	6	6
Recharges from parent/fellow subsidiary undertakings	17,721	20,157
	<hr/>	<hr/>

4. STAFF NUMBERS AND COSTS

The company employed no permanent staff directly. A recharge is made by the parent undertaking to cover the costs of staff seconded to the company.

The emoluments of the directors were as follows:

	2000 £'000	1999 £'000
Directors' emoluments	154	165
	<hr/>	<hr/>

**HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (CONT'D)**

4. STAFF NUMBERS AND COSTS (CONT'D)

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	
	2000	1999
Defined benefit schemes	1	1
	<hr/>	<hr/>

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

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2000 £'000	1999 £'000
The charge for the year, based on a corporation tax rate of 30.00% (1999: 30.25%), comprises:		
Corporation tax	2,808	1,063
Deferred taxation (note 8)	-	(735)
	<hr/>	<hr/>
	2808	328
	<hr/>	<hr/>

6. PROFIT AND LOSS ACCOUNT

	2000 £'000
At 1 January	(13,194)
Loss for the financial year	(6,664)
	<hr/>
At 31 December	(19,858)
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HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (CONT'D)

7. DEBTORS

	2000 £'000	1999 £'000
Amounts due from parent and fellow subsidiary undertakings	42,339	43,169
Other debtors	12	-
	<hr/>	<hr/>
	42,351	43,169
	<hr/>	<hr/>

8. DEFERRED TAXATION

	2000 £'000	1999 £'000
At 1 January	-	735
Profit and loss account	-	(735)
	<hr/>	<hr/>
At 31 December	-	-
	<hr/>	<hr/>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Amounts owed to parent and fellow subsidiary undertakings	49,938	46,262
Other creditors	4,412	1,854
	<hr/>	<hr/>
	54,350	48,116
	<hr/>	<hr/>

HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (CONT'D)

10. PROVISIONS FOR LIABILITIES AND CHARGES

	2000 £'000	1999 £'000
PROVISION FOR CLAWBACK OF INDEMNITY COMMISSION:		
At 1 January	8,147	7,000
Charge for the year	6,555	5,095
Utilised/released in the year	(6,943)	(3,948)
	<hr/>	<hr/>
At 31 December	7,759	8,147
	<hr/>	<hr/>

11. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised 1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, called up, and fully paid 100,000 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

HALIFAX FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2000 (CONT'D)

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Loss for the financial year	(6,664)	(1,827)
Opening equity shareholders' funds	(13,094)	(11,267)
	<hr/>	<hr/>
Closing equity shareholders' funds	(19,758)	(13,094)
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13. TRANSACTIONS WITH RELATED PARTIES

Halifax Financial Services 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 FRS8, "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 Financial Services 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 within 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.