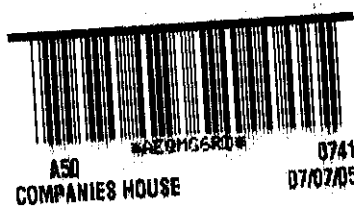


HL (4) Limited

Directors' Report and Financial Statements

For the year ended 31 December 2004

Registered No: 2182642



Directors' Report and Financial Statements

Contents	Pages
Directors and Company Information	2
Directors' Report	3 - 4
Statement of Directors Responsibilities	5
Independent auditors' report	6
Balance Sheet	7
Notes to the Financial Statements	8 - 9

Directors and Company Information

Directors

R M Anslow
P Beddows

Secretary

S Mayer

Registered Office

Trinity Road
Halifax
West Yorkshire
HX1 2RG

Registered Auditors

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

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 December, 2004.

Business Objectives and Principal Activities

The Company provides residential mortgage facilities and other related services in the UK market. The Company has not traded during the year and is not expected to trade in the foreseeable future.

Results For The Year

The Company did not make a profit after tax for the year (2003: £nil). The directors do not recommend the payment of a dividend in respect of 2004 (2003: £nil).

Directors' beneficial interests in the ordinary shares of HBOS plc during the year were as follows:

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

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

R M Anslow
P Beddows

During the year no director had any beneficial interest in the share capital of the Company or of any Group undertaking other than in HBOS plc, the ultimate holding company.

The beneficial interests of the directors and their immediate families in HBOS plc shares are set out below:-

	At 31.12.03 or date of appointment if later HBOS plc shares	At 31.12.04 HBOS plc shares
R M Anslow	2,095	2,690
P Beddows	-	-

Short-term Incentive Plan – HBOS scheme and former Halifax scheme

Certain directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the directors:

	Grant effective from	Shares as at 31.12.04
R M Anslow	March 2001	125
	March 2002	400
	March 2003	522
	March 2004	422
P Beddows	-	-

Long-term Incentive Plan – HBOS scheme and former Halifax scheme

Details of the shares which have been conditionally awarded to directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2004.

	Grant effective from	At 31.12.03 or date of appointment if later	Granted in year	Added as a result of performance	Dividend reinvestment shares	Released in year	At 31.12.04
R M Anslow	-	-	-	-	-	-	-
P Beddows	January 2001	3,282	-	3,282	856	7,420	-

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2001 grant ended on 31 December 2003 and, in the light of the performance outcome, grants were released at 200% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 26% of the original conditional grant were also released to participants in accordance with the rules of the plan.

Long-term Incentive Plan HBOS Scheme, former Bank of Scotland scheme and former Halifax Scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding on 31.12.03 or date of appointment	Granted in year	At 31.12.04
R M Anslow	5,630	1,929	7,559
P Beddows	5,480	2,807	8,287

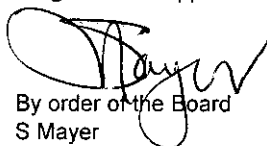
Sharesave Plan

Share options granted under these plans are set out below.

	At 31.12.03	Granted in year	At 31.12.04
R M Anslow	4,115	-	4,115
P Beddows	4,115	-	4,115

Auditors and 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.


By order of the Board
S Mayer
Secretary

24 February 2005

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.

Independent auditor's report to the members of HL (4) Limited

We have audited the financial statements on pages 7 to 9.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors 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 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 audit 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 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

24 February 2005

KPMG Audit Plc
Chartered Accountants
Registered Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

Balance Sheet

as at 31 December, 2004

	Note	2004 £'000	2003 £'000
Current assets:			
Debtors: amounts falling due within one year	3	263	263
Total current assets		<u>263</u>	<u>263</u>
Capital and reserves:			
Called up share capital	4	-	-
Profit and loss account	5	263	263
Equity shareholder's funds	6	<u>263</u>	<u>263</u>

These financial statements were approved by the Board of Directors on 24 February, 2005 and were signed on its behalf by:



P Beddows, Director

The notes on pages 8 to 9 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December, 2004

1 ACCOUNTING POLICIES**ACCOUNTING CONVENTION**

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with applicable accounting standards and pronouncements of the Urgent Issues Task Force ("UITF") and in accordance with applicable Statements of Recommended Practice, being those issued by the British Bankers' Association and the Finance and Leasing Association. Accounting policies are reviewed regularly to ensure they are the most appropriate to the circumstances of the Company for the purposes of giving a true and fair view.

CASH FLOW STATEMENT

As prescribed in paragraph 5(a) of 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 statements of the Company are included, are publicly available.

2 PROFIT AND LOSS ACCOUNT

The Company did not trade during the year. Accordingly no profit and loss account is presented.

No directors' emoluments or staff costs were paid in respect of the current financial year or the preceding year. No fees were paid in respect of the audit by the Company.

3 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£'000	£'000
Amounts due from intermediate parent undertaking	263	263
	<u>263</u>	<u>263</u>

4 CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised 100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

5 PROFIT AND LOSS ACCOUNT

	2004	2003
	£'000	£'000
At 1 January	263	263
Profit for the financial year	-	-
At 31 December	<u>263</u>	<u>263</u>

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2004	2003
	£'000	£'000
Shareholder's funds at 1 January	263	263
Profit for the financial year	-	-
Shareholder's funds at 31 December	<u>263</u>	<u>263</u>

7 RELATED PARTY TRANSACTIONS

The Company's ultimate parent undertaking is HBOS plc. The consolidated financial statements of this Company are publicly available and include all transactions with group members who are related parties of the group. Under the provisions of paragraph 3(c) of FRS 8, transactions with related parties of this Company have not been disclosed other than as required under Companies Act 1985.

8 PARENT UNDERTAKINGS

HBOS plc is the ultimate parent undertaking of HL (4) Limited and heads the largest group into which the financial statements of the Company are consolidated. The consolidated financial statements of HBOS plc may be obtained from its head office at The Mound, Edinburgh EH1 1YZ.

Halifax plc heads the smallest group into which the financial statements of the Company are consolidated. The financial statements of Halifax plc may be obtained from its head office at Trinity Road, Halifax HX1 2RG.