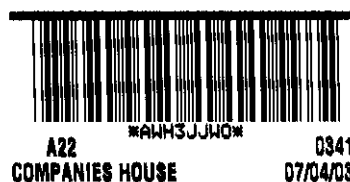


**HALIFAX NOMINEES LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2002**



**COMPANY NUMBER 2791465**

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

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**HALIFAX NOMINEES LIMITED  
DIRECTORS AND COMPANY INFORMATION**

**DIRECTORS**

CHAIRMAN  
J. B. Corcoran

OTHER DIRECTORS  
S. A. Concannon  
R. Darcey

**SECRETARY**

S. Mayer

**REGISTERED OFFICE**

Trinity Road  
Halifax  
HX1 2RG

**AUDITORS**

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

## **HALIFAX NOMINEES LIMITED DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 31 December 2002.

### **PRINCIPAL ACTIVITY, RESULTS AND DIVIDEND**

The principal activity of the Company is to hold ordinary and preference shares raised by HBOS plc ("the Group"), in its name on behalf of Halifax Shareholder Account customers.

The Company has received no income and incurred no expenditure during the reporting period. Consequently, the Company made neither a profit nor a loss. The Directors do not recommend the payment of a dividend.

### **DIRECTORS AND DIRECTORS' INTERESTS**

The Directors who served during the year were as follows:

S. A. Concannon	
J. B. Corcoran	Appointed 14 February, 2002
R. Darcey	Appointed 14 February, 2002
M. H. Ellis	Resigned 14 February, 2002
D. J. McPherson	Resigned 14 February, 2002

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.

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

	<b>At 31 December, 2001 or date of appointment Ordinary Shares of 25p each</b>	<b>At 31 December, 2002 Ordinary Shares of 25p each</b>
S.A. Concannon	4,063	4,909
J.B. Corcoran	-	6,679
R. Darcey	2,086	3,080

**HALIFAX NOMINEES LIMITED  
DIRECTORS' REPORT (CONTINUED)**

Short-term Incentive Plan

Certain Directors have a conditional entitlement to shares arising from the annual incentive. Where the annual incentive for 2000/2001 was taken in shares and these shares are retained in trust for 3 years, the following shares will also be transferred to the Directors.

	<b># Shares granted in year</b>	<b># Shares held as at 31 December 2002</b>
S.A. Concannon	1,375	1,375
J.B. Corcoran	3,339	3,339
R. Darcey	-	-

# Ordinary shares of 25p each

Long-term bonus scheme – HBOS Directors and former Halifax Directors

Conditional awards held by directors arise from the HBOS long-term incentive plans and former Halifax long term plan, the detailed conditions of which are provided within the HBOS Annual Report and Accounts. Conditional awards of ordinary shares of HBOS plc granted to directors during the period to 31 December, 2002 were as follows:

	<b># Awards held as at 1 January 2002 or date of appointment</b>	<b># Awards granted</b>	<b># Awards lapsed</b>	<b># Awards held as at 31 December 2002</b>
S.A. Concannon	-	-	-	-
J.B. Corcoran	-	-	-	-
R. Darcey	13,057	3,661	-	16,718

# Ordinary shares of 25p each

Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans as at 31 December, 2002 were as follows:

	<b># Options held as at 1 January 2002 or date of appointment</b>	<b># Options granted</b>	<b># Options exercised/ lapsed</b>	<b># Options held as at 31 December 2002</b>
S.A. Concannon	1,191	-	1,101	90
J.B. Corcoran	2,362	-	-	2,362
R. Darcey	2,980	-	2,980	-

# Ordinary shares of 25p each

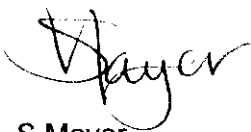
**HALIFAX NOMINEES LIMITED  
DIRECTORS' REPORT (CONTINUED)**

Where relevant, scheme participants agreed to waive options in Halifax Group plc shares and were granted replacement options in HBOS plc using a basis specified by the Inland Revenue.

**AUDITOR AND ANNUAL GENERAL MEETINGS**

Pursuant to a resolution passed by the members the Company 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 Mayer  
SECRETARY

The Mound  
Edinburgh  
EH1 1 YZ

19 February 2003

**HALIFAX NOMINEES 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 the profit or loss 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 AUDITORS' REPORT  
TO THE MEMBERS OF HALIFAX NOMINEES LIMITED**

We have audited the financial statements on pages 8 and 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.



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF HALIFAX NOMINEES LIMITED (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its result for the year then and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

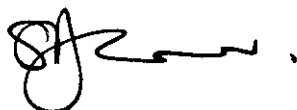
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
20 February 2003

1 The Embankment  
Neville Street  
LEEDS  
LS1 4DW

**HALIFAX NOMINEES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Note	31 December 2002 £	31 December 2001 £
CURRENT ASSETS			
Cash at bank and in hand		<u>1,000</u>	<u>1,000</u>
CAPITAL AND RESERVES			
Called up share capital	3	<u>1,000</u>	<u>1,000</u>

The Accounts were approved by the Board of Directors on 19 February 2003 and were signed on its behalf by:



S A CONCANNON

MANAGING DIRECTOR

The notes on page 9 form part of these financial statements.

**HALIFAX NOMINEES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**1. PROFIT AND LOSS ACCOUNT**

During the financial period and the preceding financial period the Company received no income and incurred no expenditure and consequently there is neither a profit nor a loss to report.

**2. ACCOUNTING POLICIES**

**2.1 BASIS OF PREPARATION**

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

**3. CALLED UP SHARE CAPITAL**

	31 December 2002 £	31 December 2001 £
<b>Authorised</b>		
1,000 ordinary shares of £1	1,000	1,000
	_____	_____
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £1	1,000	1,000
	_____	_____

**4. ULTIMATE PARENT UNDERTAKING**

The Company's immediate parent company is Halifax Share Dealing Limited which owns 100% of the ordinary share capital. The Company's ultimate parent undertaking is HBOS plc.

Copies of the accounts of the above companies are available from The Mound, Edinburgh, EH1 1YZ.