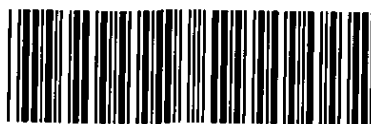


**HALIFAX NOMINEES LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2008**

**COMPANY NUMBER 2791465**

**SATURDAY**



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

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**HALIFAX NOMINEES LIMITED  
DIRECTORS AND COMPANY INFORMATION**

**DIRECTORS**

S. A. Concannon  
M. Duncan  
G. P. Phillips  
G. R. A. Shankland

**SECRETARY**

A. Lockwood

**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 2008.

### **PRINCIPAL ACTIVITY**

The principal activity of the Company is that of a nominee holding company.

### **BUSINESS REVIEW**

The Company did not trade in the year, nor in the previous year. Consequently, the Company made neither a profit nor a loss. It is not intended for the Company to trade in the foreseeable future.

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

The Directors who served during the year were as follows:

S. A. Concannon  
M. Duncan  
G. P. Phillips  
G. R. A. Shankland

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, HBOS plc, and no rights to subscribe for such interests were granted. Directors' beneficial interests in the ordinary shares of HBOS plc are shown in the accounts of the parent undertaking, Halifax Share Dealing Limited.

### **DISCLOSURE OF INFORMATION TO AUDITORS**

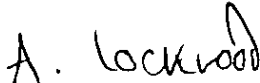
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**HALIFAX NOMINEES LIMITED  
DIRECTORS' REPORT (CONT'D)**

**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



A. Lockwood  
SECRETARY

Trinity Road  
Halifax  
HX1 2RG

23rd March 2009

**HALIFAX NOMINEES LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of Halifax Nominees Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

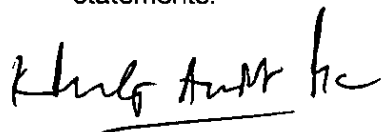
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 (CONT'D)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2008 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
23rd March 2009

1 The Embankment  
Neville Street  
LEEDS  
LS1 4DW



**HALIFAX NOMINEES LIMITED  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**INCOME STATEMENT**

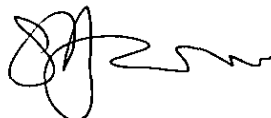
During the financial year and the preceding financial year, the Company did not trade and received no income and incurred no expenditure or recognise any other income or expenditure. Consequently, during those years the Company made neither a profit nor a loss.

The notes on page 10-13 form part of these financial statements.

**HALIFAX NOMINEES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Note	31 December 2008 £	31 December 2007 £
<b>CURRENT ASSETS</b>			
Amount owed by parent undertaking		<u>1,000</u>	<u>1,000</u>
<b>Equity</b>			
Issued capital	2	<u>1,000</u>	<u>1,000</u>

The accounts were approved by the Board of Directors on 23rd March 2009 and were signed on its behalf by:



S. A. CONCANNON

MANAGING DIRECTOR

The notes on page 10-13 form part of these financial statements.

**HALIFAX NOMINEES LIMITED  
STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE YEAR ENDED 31 DECEMBER 2008**

The Company had no recognised income and expenditure in the current or preceding financial year.

The notes on page 10-13 form part of these financial statements.

**HALIFAX NOMINEES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**1.1 STATEMENT OF COMPLIANCE**

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

**1.2 BASIS OF PREPARATION**

The financial statements are presented in sterling. These financial statements have been drawn up under the historical cost convention and on a going concern basis.

**1.3 PRINCIPLES UNDERLYING GOING CONCERN ASSUMPTION**

During 2008, global financial markets experienced difficult conditions which have been characterised by a marked reduction in liquidity. As a consequence of this, governments and central banks carried out a series of actions to address the lack of liquidity within their respective banking systems. In the UK these actions have included the introduction by the Bank of England of liquidity support, through schemes (collectively "Bank of England facilities") such as the extended Long-Term Repo open market operations and the Special Liquidity Scheme ('SLS') whereby banks and building societies can exchange eligible securities for UK Treasury bills; and the creation of a credit guarantee scheme by HM Treasury, providing a government guarantee for certain short and medium term senior debt securities issued by eligible banks. During 2008 HBOS plc has made use of these measures in order to maintain and improve a stable funding position.

In the context of this continued turbulence and uncertainty in the financial markets, combined with a deteriorating global economic outlook, HBOS plc has also taken steps to strengthen its capital position in order to provide a buffer against further shocks arising from the financial systems and to ensure that it remains competitive. On 15 January 2009, in conjunction with the takeover of HBOS plc by Lloyds TSB Group plc, HBOS plc raised £11,345m (net after costs) in preference and ordinary share capital.

On 16 January 2009, following completion of the acquisition of HBOS plc and its subsidiaries by Lloyds Banking Group plc, the Company became a wholly owned subsidiary and became dependent upon the ultimate parent and its banking subsidiaries for its capital and liquidity funding needs.

### **1.3 PRINCIPLES UNDERLYING GOING CONCERN ASSUMPTION (CONTINUED)**

There is a risk despite the substantial measures taken so far by governments that further deterioration in the markets could occur. In addition the economic conditions in the UK are deteriorating more quickly than previously anticipated placing further strain on the Lloyds Banking Group's capital resources. The key dependencies on successfully funding the Lloyds Banking Group's balance sheet include the continued functioning of the money and capital markets at their current levels; the continued access of the Lloyds Banking Group to central bank and Government sponsored liquidity facilities including access to HM Treasury's credit guarantee scheme and access to the Bank of England's various facilities; limited further deterioration in the Lloyds Banking Group's credit ratings; and no significant or sudden withdrawal of deposits resulting in increased reliance on money markets or Government support schemes.

Based upon projections prepared by Lloyds Banking Group plc management which take into account the acquisition on 16 January 2009 of HBOS plc and its subsidiaries together with the Lloyds Banking Group's current ability to fund in the market and the assumption that announced government sponsored schemes will continue to be available, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Company has received confirmation that it is the current intention of Lloyds Banking Group plc to ensure that the Company, as a subsidiary of HBOS plc, should have at all times for the foreseeable future access to adequate resources to continue to trade and meet their liabilities as they fall due. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

### **1.4 POST BALANCE SHEET EVENTS**

#### **a) Lloyds Banking Group**

On 18 September 2008, with the support of the UK Government, the boards of HBOS plc ('HBOS') and Lloyds TSB Group plc ('Lloyds TSB') announced that they had reached agreement on the terms of the recommended acquisition of HBOS by Lloyds TSB. The terms of the acquisition were subsequently amended, as announced on 13 October 2008, at the same time as the announcement of the participation by HBOS and Lloyds TSB in the Government's action plan to recapitalise some of the major UK banks. The acquisition was to be implemented by means of a scheme of arrangement with a separate scheme of arrangements in relation to preference shares, under sections 895 to 899 of the Companies Act 2006.

On 12 January 2009 the Court of Session in Edinburgh, Scotland made an order sanctioning the scheme of arrangement for the acquisition and the preference share scheme of arrangement. The last day of trading in HBOS ordinary and preference shares was 14 January 2009.

On 15 January 2009 HBOS raised £11.5bn of capital (before costs and expenses) through an issue of £8.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £3bn of new preference shares. Lloyds TSB raised £4.5bn (before costs and expenses) through an issue of £3.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £1bn of new preference shares.

## **1.4 POST BALANCE SHEET EVENTS (CONTINUED)**

On 16 January 2009 the Lloyds TSB acquisition of HBOS completed following final court approval and Lloyds TSB was renamed Lloyds Banking Group plc. The exchange of HBOS shares for Lloyds Banking Group shares took place at an exchange ratio of 0.605 of a new Lloyds Banking Group share for every one HBOS share held. As a result, the UK Government through HM Treasury owned approximately 43.4% of the enlarged ordinary share capital of Lloyds Banking Group. In addition, each class of preference share issued by HBOS, including the preference shares issued to HM Treasury in the capital raising was replaced with an equal number of new Lloyds Banking Group preference shares.

HBOS ordinary and preference shares were de-listed from the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange was cancelled on 19 January 2009 when trading in the new Lloyds Banking Group shares commenced.

### **b) Other**

As a result of the acquisition of the Group by Lloyds TSB, some of the share schemes vested in the period between 12 January 2009, being the date when the acquisition was approved by the Court of Session, and the 16 January 2009, the completion of the acquisition itself. The remainder of the share schemes will roll over into the new Lloyds Banking Group Shares. These will continue until their original maturity date. As a non adjusting post balance sheet event there is no accounting impact on the primary statements as at 31 December 2008.

### **c) Government Asset Protection Scheme**

On 7 March 2009, the Company's ultimate parent undertaking, Lloyds Banking Group plc ("LBG"), announced its intention to participate in the Government's Asset Protection Scheme. LBG intends to participate in the Scheme in respect of assets and exposures on its consolidated balance sheet with an aggregate book value of approximately £250bn and will pay a fee to HM Treasury of £15.6bn which will be amortised over an estimated 7 year period. The proceeds of this fee will be applied by HM Treasury in subscribing for an issue by the Group of "B" shares, carrying a dividend of the greater of 7 per cent per annum and 125 per cent of the dividend on ordinary shares.

LBG has also agreed to replace the £4bn of preference shares held by HM Treasury with new ordinary shares which will be offered to eligible LBG shareholders pro rata to their existing shareholdings at a fixed price of 38.43 pence per ordinary share. These new ordinary shares will be offered to shareholders and new investors on the same basis as the Placing and Open Offer in November 2008. The ordinary share offer is fully underwritten by HM Treasury on substantially the same fee basis as the Placing and Open Offer conducted in November 2008.

Participation in the Scheme and the replacement of the preference shares is subject to approval by eligible LBG shareholders.

## 2. SHARE CAPITAL

	31 December 2008 £	31 December 2007 £
<b>Authorised</b>		
1,000 ordinary shares of £1	1,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
1,000 ordinary shares of £1	1,000	1,000
	<hr/>	<hr/>

## 3. RELATED PARTY TRANSACTIONS

The Company had no transactions with related parties, including key management personnel, during the current or prior year.

## 4. ULTIMATE PARENT UNDERTAKING

As at 31 December 2008 the Company's immediate parent company was HBOS plc. The company regarded by the directors as the ultimate parent company at 31 December 2008 was HBOS plc, a limited liability company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. HBOS plc was the parent undertaking of the smallest such group of undertakings.

From 16th January 2009, Halifax Nominees Limited's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

Prior to 16th January 2009, HBOS plc was the ultimate parent undertaking of Halifax Nominees Limited. Copies of the annual report and accounts of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.