

Registered Number: 4414397

HALIFAX LIFE (CANNON STREET) LIMITED
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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HALIFAX LIFE (CANNON STREET) LIMITED

DIRECTORS' REPORT

Directors: S J Colsell
T A Leonard

Secretary: HBOS Secretaries Limited

Registered Office: Trinity Road, Halifax, West Yorkshire HX1 2RG

The directors present their report for the year ended 31 December 2008.

REVIEW OF ACTIVITIES

The company has not transacted any business, has no recognised or unrecognised gains or losses, and has not incurred any cash flows during the year ended 31 December 2008 or the comparative period. The directors consider the Company to be dormant throughout the financial year ended 31 December 2008. Consequently no income statement, statement of cash flows or statement of changes in equity has been presented. Any expenses incurred are met by the immediate parent undertaking.

DIVIDENDS

The directors do not recommend the payment of a dividend (2007: £nil).

DIRECTORS

The directors of the company who served throughout the year were as follows:

S J Colsell
T A Leonard

AUDITORS

For the financial year ended 31 December 2008, the company was entitled to exemption under section 249AA(1) of the Companies Act 1985 and no auditor has in consequence been appointed.

No notice has been deposited under section 249B(2) of the Companies Act 1985.

By order of the board



For and on behalf of
HBOS Secretaries Ltd
Secretary

31 MARCH 2009

HALIFAX LIFE (CANNON STREET) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 law.

The financial statements are required by law to present fairly the financial position and the 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.

HALIFAX LIFE (CANNON STREET) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	2008 £	2007 £
ASSETS		
Cash at bank and in hand	1	1
Total current assets	1	1
Total assets	1	1
EQUITY		
Called up share capital		
Authorised allotted and fully paid		
Ordinary shares of £1 each	1	1
Retained earnings	-	-
Total equity and liabilities	1	1

The notes on page 6 to 9 form part of these accounts.

The company was dormant throughout the financial year ended 31 December 2008.

For the year ended 31 December 2008 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985. No members have required the company to obtain an audit of its account for the year in question in accordance with section 249B(2).

The directors acknowledge their responsibility for:

- (i) ensuring the company keeps accounting records which comply with section 221; and
- (ii) preparing accounts 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 its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

The financial statements were approved by the Board of Directors on 31 March 2009 and were signed on its behalf by:



S J Colsell
Director

HALIFAX LIFE (CANNON STREET) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. SIGNIFICANT ACCOUNTING POLICIES

Halifax Life (Cannon Street) Limited ("the Company") is a company domiciled in the United Kingdom.

The financial statements were authorised for issue by the directors on March 2009.

1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. Consequently, the financial statements comply with International Financial Reporting Standards.

The financial statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004.

1.2 BASIS OF PREPARATION

(a) 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 to 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 the Group by Lloyds Banking Group plc, the Group became a wholly owned subsidiary and became dependent upon the ultimate parent and its banking subsidiaries for its capital, liquidity funding needs.

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.

HALIFAX LIFE (CANNON STREET) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER (CONT)

1.2 BASIS OF PREPARATION (CONT)

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 have 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.

b) Basis of Measurement.

The financial statements are presented in Sterling, rounded to the nearest pound. They are prepared on the historical cost basis.

2. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its ultimate controlling party HBOS plc, a number of that company's fellow subsidiaries and its Directors.

No Director has an interest in the voting shares of the Company itself.

During the year ended 31 December 2008 and the comparative period the Company did not receive or provide any services from or to related parties. There were no balances outstanding to or from related parties at 31 December 2008 or at 31 December 2007.

The company did not pay a dividend in the year ended 31 December 2008 (2007: £nil).

Directors' emoluments

Directors sit on several boards and their benefits are allocated to a company depending on the proportion of their time that they spend as a director of that company. The directors of the Company do not spend a significant proportion of their time providing services direct to the Company. Accordingly, their emoluments are allocated to those companies on which they do spend a significant proportion of their time.

3. ULTIMATE PARENT COMPANY

As at 31 December 2008 the Company's immediate parent company was Halifax Life Limited. 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 Life (Cannon Street) 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.

HALIFAX LIFE (CANNON STREET) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008

3. ULTIMATE PARENT COMPANY

Prior to 16th January 2009, HBOS plc was the ultimate parent undertaking of Halifax Life (Cannon Street) 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.

4. POST BALANCE SHEET EVENTS

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.

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.

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 of "B" shares of LBG, carrying a dividend of the greater of 7 per cent per annum and 125 per cent of the dividend on ordinary shares.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONT)

4. POST BALANCE SHEET EVENTS (CONT)

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.