

HBOS plc

INTERIM ACCOUNTS

For the six months to 30 June 2002

COMPANY NUMBER SC218813



PROFIT AND LOSS ACCOUNTFor the six months to 30 June 2002

	Six months to 30 June 2002 £ million	Period to 31 December 2001 £ million
Net interest income	8	-
Dividend income from group undertakings	811	1,071
Administrative expenses	(13)	(5)
Profit on ordinary activities before taxation	806	1,066
Tax credit on profit on ordinary activities	3	5
Profit attributable to shareholders	809	1,071
Dividends		
Preference	(19)	(31)
Ordinary	(400)	(997)
Retained Profit	390	43

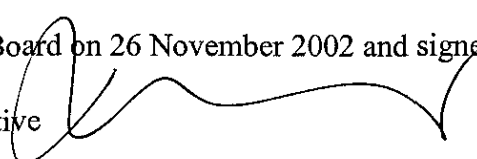
All gains and losses arising during the period have been recognised in the profit and loss account.

The notes on pages 3 to 5 form part of these accounts.

BALANCE SHEET**As at 30 June 2002**

		<u>As at 30</u> <u>June</u> <u>2002</u> <u>£ million</u>	<u>As at 31</u> <u>December</u> <u>2001</u> <u>£ million</u>
	<u>Notes</u>		
Fixed Assets			
Investments			
Shares in Group undertakings	2	2,553	1,301
Own Shares		8	5
		<u>2,561</u>	<u>1,306</u>
Current Assets			
Debtors			
Amounts owed by Group undertakings		2,070	1,653
Other debtors		8	7
		<u>2,078</u>	<u>1,660</u>
Current liabilities			
Creditors: Amounts falling due within one year			
Amounts owed to Group undertakings		40	27
Dividends payable		383	679
Accruals		12	2
Other creditors		9	4
		<u>444</u>	<u>712</u>
Net Current Assets		<u>1,634</u>	<u>948</u>
Total Assets less Current Liabilities		<u>4,195</u>	<u>2,254</u>
Creditors: Amounts falling due after more than one year			
Subordinated liabilities	3	915	902
Net Assets		<u>3,280</u>	<u>1,352</u>
Capital and Reserves			
Called up share capital	4		
Preference shares (non-equity)		400	400
Ordinary shares		944	892
Share premium	5	1,252	27
Profit and loss account	5	684	33
Shareholders' Funds		<u>3,280</u>	<u>1,352</u>

Approved by the Board on 26 November 2002 and signed on its behalf by:

Chief Executive Group Finance Director Director 

The notes on pages 3 to 5 form part of these accounts.

NOTES ON THE ACCOUNTS

1. Accounting policies

1.1 Basis of preparation

The accounts have been prepared as interim accounts and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Accordingly certain notes to the accounts have been omitted. The interim accounts present information about the Company as an individual undertaking and not about its group.

The interim accounts have been drawn up under the historical cost convention and in accordance with Schedule 4 of the Companies Act 1985 and applicable accounting standards.

The Directors have satisfied themselves that the Company has adequate resources to continue in business for the foreseeable future and that it is therefore appropriate for these interim accounts to have been prepared on a going concern basis.

A copy of the interim accounts will be delivered to the Registrar of Companies.

The Company implemented FRS19 'Deferred Tax' in the period. This had no impact on the tax credit in the period under review. Other accounting policies are unchanged from those applying in 2001.

1.2 Investments

Shares in Group Undertakings are stated in the balance sheet at cost in accordance with Section 133 of the Companies Act 1985. The Company has recorded the shares issued in respect of the acquisition of Bank of Scotland and Halifax Group plc at their nominal value, in accordance with the provisions of Section 131 of the Companies Act 1985.

Dividend income from Shares in Group Undertakings are accrued in the period to which they relate.

1.3 Taxation

The charge for taxation takes into account all timing differences in the accounting and taxation treatment of certain items. Deferred taxation is provided on the liability method.

2. Shares in Group undertakings

	<u>Banks</u> <u>£ million</u>	<u>Others</u> <u>£ million</u>	<u>Total</u> <u>£ million</u>
At cost at 1 January 2002	734	567	1,301
Subscription of capital	1,250	2	1,252
At cost at 30 June 2002	1,984	569	2,553

NOTES ON THE ACCOUNTS (Continued)**3. Subordinated liabilities**

	<u>Rate</u>	<u>June 2002</u> <u>£ million</u>	<u>December 2001</u> <u>£ million</u>
<u>Undated Loan Capital</u>			
£600 million Fixed to Floating Rate Undated Subordinated Notes	6.461%	600	600
€500 million Fixed to Floating Rate Undated Subordinated Notes	6.05%	315	302
		<u>915</u>	<u>902</u>

4. Share Capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>Number</u>	<u>£ million</u>	<u>Number</u>	<u>£ million</u>
Ordinary Shares				
At 31 December 2001	4,740,000,000	1,185	3,566,567,091	892
Issued by means of share placing			172,500,000	43
Issued under employee share schemes			3,285,170	1
Dividend reinvestment			35,410,108	8
At 30 June 2002	<u>4,740,000,000</u>	<u>1,185</u>	<u>3,777,762,369</u>	<u>944</u>
Preference Shares				
At 30 June 2002 and 31 December 2001:				
9¼ per cent. Non-Cumulative				
Irredeemable Preference Shares	375,000,000	375	300,000,000	300
9¾ per cent. Non-Cumulative				
Irredeemable Preference Shares	125,000,000	125	100,000,000	100
6.125 per cent. Non-Cumulative				
Redeemable Preference Shares	200,000,000	200	-	-
Sterling Preference Shares	1,000,000,000	1,000	-	-
8.117 per cent. Non-Cumulative				
Perpetual Preference Shares Class A	250,000	3	-	-
7.754 per cent. Non-Cumulative				
Perpetual Preference Shares Class B	150,000	1	-	-
				<u>400</u>
		<u>Euro million</u>		<u>Euro million</u>
Euro Preference Shares	1,500,000,000	1,500	-	-

NOTES ON THE ACCOUNTS (Continued)**5. Reserves**

	<u>Share premium</u>	<u>Profit and loss</u>
	<u>£ million</u>	<u>account</u>
		<u>£ million</u>
At 31 December 2001	27	33
Premium arising on the issue of new shares	1,217	-
Contribution to Employee Share Trust	8	(6)
Dividend retained on account of stock dividends	-	267
Retained Profit	-	390
At 30 June 2002	<u>1,252</u>	<u>684</u>