

ST VINCENT STREET DEVELOPMENTS LIMITED
REPORT AND ACCOUNTS

31st December, 2001

Company Number 216154



REPORT OF THE DIRECTORSDirectors

J. L. Burnley
K. C. McCabe
I.D. Kerr
R.Fleming

The Directors have pleasure in submitting their report and statement of accounts of the Company for the 10 month period ended 31 December 2001.

Activity and Review of Business

The Company was incorporated on 26 February 2001 with its principal activity being property development.

The Company has changed its accounting reference date to 31 December from 28 February to align its year-end with that of its ultimate parent undertaking, HBOS plc. Pursuant to schemes of arrangement under section 425 of the Companies Act Bank of Scotland (the previous ultimate parent undertaking) and Halifax Group became subsidiaries of HBOS on 7 September 2001. The merged Group has a 31 December accounting reference date.

These accounts are accordingly for a 10 month period.

The Company made a loss after taxation in the period of £364,232 which was transferred to reserves. The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors at the date of this report are stated above. L Proctor and E Wolfe were appointed directors on 26 February 2001 and resigned on 28 February 2001. On the same date, L.R. Toles, T.W. Fraser, J.L. Burnley and K.C. McCabe were appointed as directors.

L.R. Toles and T.W. Fraser resigned as directors on 14 September 2001 and 16 November 2001 respectively. I.D. Kerr and R.S.G. Tough were appointed directors on 16 November 2001.

On 23 November 2001, R.S.G. Tough resigned as a director and was replaced by R. Fleming.

No director had a beneficial interest in the shares of the Company during the period.

No director had a beneficial interest in the shares of any undertaking within the Bank of Scotland Group up to 7 September 2001, or within HBOS Group, from that date, to the end of the period, other than as below.

Under the terms of the merger, each Halifax Group share or Bank of Scotland ordinary stock unit was exchanged for one HBOS plc ordinary share.

Directors and their interests (Continued)

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

	<u>At date of appointment</u> <u>Ordinary Shares of 25p each</u>	<u>At 31st December, 2001</u> <u>Ordinary Shares of 25p each</u>
I.D. Kerr	5,966	5,966
R. Fleming	5,286	5,286

Options to subscribe for Ordinary shares of HBOS plc were granted to or exercised by Directors during the period to 31st December, 2001 as follows:-

Executive Share Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>date of</u> <u>appointment</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>31st December</u> <u>2001</u>
I.D. Kerr	38,014	-	-	38,014
R. Fleming	14,280	-	-	14,280

Ordinary shares of 25p each

Savings Related Share Options held by Directors


	<u>#Options</u> <u>held as at</u> <u>date of</u> <u>appointment</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>31st December</u> <u>2001</u>
I.D. Kerr	4,115	-	-	4,115
R. Fleming	2,362	-	-	2,362

Ordinary shares of 25p each

Auditors

KPMG were appointed auditors during the year. In accordance with s.386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually.

By Order of the Board,



L.J.W. Black,
Secretary.

Registered Office

The Mound,
EDINBURGH,
EH1 1YZ

6th February 2002

PROFIT & LOSS ACCOUNTFor the period 26 February 2001 to 31st December 2001

	<u>Notes</u>	<u>26 February 2001</u> <u>to 31 December</u> <u>2001</u> <u>£</u>
Operating expenses		(203,372)
Operating (loss)	2	<u>(203,372)</u>
Rental Income		66,667
Interest payable to Group Undertakings		(297,113)
Operating (loss) before taxation		<u>(433,818)</u>
Taxation	3	<u>69,586</u>
Retained loss for the period		<u><u>(364,232)</u></u>

All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the Company.

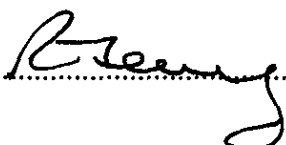
The notes on pages 6 to 8 form part of these accounts.

BALANCE SHEETAs at 31st December, 2001

	<u>Notes</u>	<u>2001</u>
<u>Fixed Assets</u>		<u>£</u>
Properties	4	6,448,747
 <u>Current Assets</u>		
Group relief recoverable		69,586
Amount due from ultimate parent company		182
		<u>69,768</u>
 <u>Creditors: amounts falling due within one year</u>		
Amount due to parent undertaking		(6,881,546)
Other creditors		(1,200)
		<u>(6,882,746)</u>
 Net Current Liabilities		<u>(6,812,978)</u>
 <u>Net Liabilities</u>		<u>(364,231)</u>
 <u>Share Capital and Reserves</u>		
Called Up Share Capital	5	1
Profit and Loss Account		(364,232)
<u>Equity Shareholders' Funds</u>	6	<u>(364,231)</u>

Approved by the board on 4/2/02 2002 and signed on its behalf by:


.....Director


.....Director

The Notes on pages 6 to 8 form part of these accounts.

CASH FLOW STATEMENTFor the period ended 31st December, 2001

		<u>26 February 2001</u> to <u>31 December 2001</u>
	<u>Notes</u>	<u>£</u>
Net cash inflow from operating activities	7	58,859
Servicing of finance - interest paid		(297,113)
Issue of ordinary share capital		1
Purchase of fixed assets		(6,643,111)
(Decrease) in cash	8	<u>(6,881,364)</u>

The Notes on pages 6 to 8 form part of these accounts.

NOTES TO THE ACCOUNTS1. Accounting policies1.1 Accounting convention

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with currently applicable accounting standards.

1.2 Basis of preparation

The accounts have been prepared on a going concern basis because facilities are currently made available by the parent company which are sufficient to meet the Company's obligations as they fall due.

1.3 Taxation

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future. Deferred taxation is provided on the liability method.

1.4 Fixed Assets

All fixed assets are stated at cost less depreciation. Depreciation is charged, on a straight line basis over the expected useful life of the asset :-

Properties 50 years

Equipment 10 years

2. Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging:

	<u>Period to 31</u> <u>December 2001</u>
	£
Auditors' remuneration	1,200
Depreciation - owned assets	194,364

The Company has no employees and none of the Directors receive any emoluments from the Company.

3. Taxation

The credit from taxation is based on the loss arising from ordinary activities and comprises:

	<u>Period to 31</u> <u>December 2001</u>
	£
Group relief recoverable	<u>69,586</u>

NOTES TO THE ACCOUNTS (Continued)4. Properties

	<u>Properties</u>	<u>Equipment</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Cost</u>			
Additions	5,368,357	1,274,754	6,643,111
As at 31st December, 2001	<u>5,368,357</u>	<u>1,274,754</u>	<u>6,643,111</u>
<u>Depreciation</u>			
Charge for period	89,473	104,891	194,364
As at 31st December, 2001	<u>89,473</u>	<u>104,891</u>	<u>194,364</u>
<u>Net Book Value</u>			
As at 31st December, 2001	<u>5,278,884</u>	<u>1,169,863</u>	<u>6,448,747</u>

5. Equity Share Capital

	<u>2001</u>
<u>Authorised</u>	
Ordinary 'A' shares of £1 each	<u>1,000</u>
<u>Allotted, called up and fully paid</u>	
Ordinary 'A' shares of £1 each	<u>1</u>

6. Reconciliation of Equity Shareholders' Funds

	<u>Period to 31</u> <u>December 2001</u>
Loss attributable to equity shareholders	(364,232)
Share capital issued in period	1
Equity shareholders' funds at 31st December 2001	<u>(364,231)</u>

NOTES TO THE ACCOUNTS (Continued)7. Reconciliation of operating (loss) to net cash flow from operating activities

	<u>Period to 31 December 2001</u> £
Operating (loss)	(203,372)
Depreciation	194,364
Rental income received	66,667
Increase in creditors	1,200
Net cash inflow from operating activities	<u>58,859</u>

8. Analysis of net funds/(debt)

	<u>Due from ultimate parent undertaking</u>	<u>Due to ultimate parent undertaking</u>	<u>Total</u>
	£	£	£
At 26 February, 2001	-	-	-
Cashflow	182	(6,881,546)	(6,881,364)
At 31st December, 2001	<u>182</u>	<u>(6,881,546)</u>	<u>(6,881,364)</u>

9. Parent undertakings

The Company's parent undertaking is Horizon Property Company (Scarborough) Limited, with its intermediate parent undertaking being The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company's ultimate parent undertaking is HBOS plc. Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh, EH1 1YZ.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company Law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ST VINCENT STREET DEVELOPMENTS LIMITED

We have audited the accounts on pages 3 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 9, the accounts 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 accounts 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 accounts, 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31st December 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh**

4 February 2002