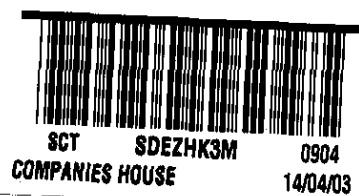


ST VINCENT STREET DEVELOPMENTS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 2002

Company Number 216154



REPORT OF THE DIRECTORS

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

The Directors have pleasure in submitting their report and audited financial statements of the Company for the year ended 31 December, 2002.

Activity and Review of Business

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

The Company made a loss after taxation in the year of £484,068 (Period to 31 December, 2001 loss 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.

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 HBOS Group for the year, other than as below, and on page 2.

The interests of the directors in the shares of the ultimate holding company during the year to 31 December 2002 were as follows: -

	<u>At 31 December, 2001</u>	<u>At 31 December, 2002</u>
	<u>Ordinary Shares of 25p each</u>	<u>Ordinary Shares of 25p each</u>
I. D. Kerr	5,966	14,864
R. Fleming	5,286	7,346

Directors and their interests (Continued)

Long term Incentive Plan

Options to subscribe for ordinary shares of HBOS plc were exercised by Directors during the year to 31 December 2002, as follows: -

	<u>#Options held as at 1 Jan 2002</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 31 Dec 2002</u>
I.D. Kerr	38,014	18,750	-	56,764
R. Fleming	14,280	4,125	-	18,405

Ordinary shares of 25p each

Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans during the year to 31 December 2002 were as follows: -

	<u>#Options held as at 1 Jan 2002</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 31 Dec 2002</u>
I. D. Kerr	4,115	-	-	4,115
R. Fleming	2,362	-	-	2,362

Ordinary shares of 25p each

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: -

	<u>#Shares held as at 1 Jan 2002</u>	<u>#Shares granted</u>	<u>#Shares exercised</u>	<u>#Shares held as at 31 Dec 2002</u>
I. D. Kerr	1,944	4,449	-	6,393
R. Fleming	1,191	2,030	-	3,221

Ordinary shares of 25p each

Directors and their interests (Continued)

HBOS plc Inland Revenue Approved Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Inland Revenue Approved Share Option Plan as at 31 December, 2002 were as follows: -

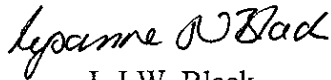
	<u>#Options held as at</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at</u>
	<u>1 Jan 2002</u>			<u>31 Dec 2002</u>
R. Fleming	-	2,635	-	2,635

Ordinary shares of 25p each

Auditors

In accordance with s.386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By Order of the Board,



L.J.W. Black,
Secretary.

Registered Office

The Mound,
EDINBURGH,
EH1 1YZ

DATE: February, 2003

PROFIT & LOSS ACCOUNT
For the year to 31st December 2002

	<u>Notes</u>	<u>12 Months to</u> <u>31 December 2002</u> <u>£</u>	<u>10 Months to</u> <u>31 December 2001</u> <u>£</u>
Operating expenses		(274,064)	(203,372)
Operating loss	2	<u>(274,064)</u>	<u>(203,372)</u>
Rental income		-	66,667
Interest payable to group undertakings		(300,887)	(297,113)
Operating loss before taxation		<u>(574,951)</u>	<u>(433,818)</u>
Taxation	3	90,883	69,586
Loss on ordinary activities after taxation		<u>(484,068)</u>	<u>(364,232)</u>
Profit and loss account at 1 January, 2002		(364,232)	-
Profit and loss account at 31 December, 2002		<u><u>(848,300)</u></u>	<u><u>(364,232)</u></u>

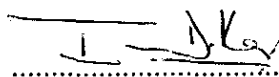
All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the Company.


BALANCE SHEET

As at 31st December, 2002

	<u>Notes</u>	<u>2002</u> £	<u>2001</u> £
<u>Fixed Assets</u>			
Properties	4	6,221,545	6,448,747
 <u>Current Assets</u>			
Group relief recoverable		90,967	69,586
Amount due from ^{intermediate} ultimate parent company		163,165	182
		<u>254,132</u>	<u>69,768</u>
 <u>Creditors: amounts falling due within one year</u>			
Amount due to immediate undertaking		(7,232,911)	(6,881,546)
Other creditors		(91,065)	(1,200)
		<u>(7,323,976)</u>	<u>(6,882,746)</u>
 Net Current Liabilities		 <u>(7,069,844)</u>	 <u>(6,812,978)</u>
 <u>Net Liabilities</u>		 <u>(848,299)</u>	 <u>(364,231)</u>
 <u>Share Capital and Reserves</u>			
Called up share capital	5	1	1
Profit and loss account		(848,300)	(364,232)
<u>Equity Shareholders' Funds</u>	6	<u>(848,299)</u>	<u>(364,231)</u>

Approved by the board on 14 February, 2003 and signed on its behalf by:

.....Director

.....Director

CASH FLOW STATEMENTFor the year ended 31st December, 2002

		<u>12 Months to</u> <u>31 December 2002</u>	<u>10 Months to</u> <u>31 December 2001</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
Net cash (outflow)/inflow from operating activities	7	50,799	58,859
Servicing of finance - interest paid		(300,887)	(297,113)
Corporation tax received		69,502	-
Issue of ordinary share capital		-	1
Purchase of fixed assets		(7,796)	(6,643,111)
Decrease in cash	8	<u>(188,382)</u>	<u>(6,881,364)</u>

The Notes on pages 7 to 10 form part of these financial statements.

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

In the current year the company implemented FRS19 "Deferred Tax". This had no impact in the current year. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed out by the balance sheet date, except as otherwise required by FRS19.

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>12 Months to</u> <u>31 December 2002</u>	<u>10 Months to</u> <u>31 December 2001</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration	1,762	1,200
Depreciation - owned assets	234,998	194,364

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

3. Taxation

<u>Tax on Loss on Ordinary Activities</u>	<u>Year to</u> <u>31 December 2002</u>	<u>10 Months to</u> <u>31 December 2001</u>
	<u>£</u>	<u>£</u>
<u>Current Tax:</u>		
Corporation tax credit for the year at a rate of 30% (2001 30%)	(90,966)	(69,586)
Corporation tax charge in respect of prior periods	83	-
	<u>(90,883)</u>	<u>(69,586)</u>

NOTES TO THE ACCOUNTS (Continued)3. Taxation (Continued)Factors Affecting the Current Tax Credit for the Year

The tax credit for the year is lower than the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	<u>Year to</u> <u>31 December 2002</u> £	<u>10 Months to</u> <u>31 December 2001</u> £
Loss on ordinary activities before taxation	<u>(574,951)</u>	<u>(433,818)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	<u>(172,485)</u>	<u>(130,145)</u>
<u>Effects of:</u>		
Depreciation	70,499	58,309
Expenses not deductible for corporation tax purposes	11,020	2,333
Other	83	(83)
Current corporation tax credit for the period	<u>(90,883)</u>	<u>(69,586)</u>

4. Properties

	<u>Properties</u> £	<u>Equipment</u> £	<u>Total</u> £
<u>Cost</u>			
As at 1 January, 2002	5,368,357	1,274,754	6,643,111
Additions	7,796	-	7,796
As at 31 December, 2002	<u>5,376,153</u>	<u>1,274,754</u>	<u>6,650,907</u>
<u>Depreciation</u>			
As at 1 January, 2002	89,473	104,891	194,364
Charge for year	107,523	127,475	234,998
As at 31 December, 2002	<u>196,996</u>	<u>232,366</u>	<u>429,362</u>
<u>Net Book Value</u>			
As at 31 December, 2002	<u>5,179,157</u>	<u>1,042,388</u>	<u>6,221,545</u>
As at 1 January, 2002	<u>5,278,884</u>	<u>1,169,863</u>	<u>6,448,747</u>

NOTES TO THE ACCOUNTS (Continued)5. Equity Share Capital

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
Ordinary 'A' shares of £1 each	<u>1,000</u>	<u>1,000</u>
<u>Allotted, called up and fully paid</u>		
Ordinary 'A' shares of £1 each	<u>1</u>	<u>1</u>

6. Reconciliation of Equity Shareholders' Funds

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
Equity shareholders' funds at 1 January, 2002	(364,231)	-
Loss attributable to equity shareholders	(484,068)	(364,232)
Share capital issued in year	-	1
Equity shareholders' funds at 31 December, 2002	<u>(848,299)</u>	<u>(364,231)</u>

7. Reconciliation of operating loss to net cash flow from operating activities

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
Operating loss	(274,064)	(203,372)
Depreciation	234,998	194,364
Rental income received	-	66,667
Increase in creditors	89,865	1,200
Net cash (outflow)/inflow from operating activities	<u>50,799</u>	<u>58,859</u>

NOTES TO THE ACCOUNTS (Continued)8. Analysis of net debt

	<u>Due from intermediate parent undertaking</u>	<u>Due to intermediate parent undertaking</u>	<u>Total</u>
	£	£	£
At 1 January, 2002	182	(6,881,546)	(6,881,364)
Cashflow	162,983	(351,365)	(188,382)
At 31 December, 2002	<u>163,165</u>	<u>(7,232,911)</u>	<u>(7,069,746)</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.

10. Related party transactions

The company's ultimate parent undertaking is HBOS plc. The consolidated financial statements of this company are publicly available and include all transactions with group members who are related parties of the group.

Transactions with the immediate parent undertaking during the year, relating to the funding from the immediate parent undertaking, were £351,365 (2001: £329,113). The balance with the immediate parent undertaking relating to the funding at 31 December 2002 was £7,232,911 (2001: £6,881,546).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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 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 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
ST VINCENT STREET DEVELOPMENTS LIMITED

We have audited the financial statements on pages 4 to 10.

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 Annual Report. As described on page 11, this includes responsibility for preparing 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 whether the financial statements have been 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.

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 the loss of the Company for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc
Chartered Accountants
Registered Auditor**

DATE: *14 February 2003*

**Saltire Court
20 Castle Terrace
EDINBURGH**