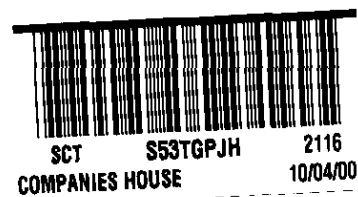


FETTES DEVELOPMENTS LIMITED

REPORT AND ACCOUNTS

29th February, 2000

Company Number 147997

A large, stylized handwritten signature in black ink, consisting of a large loop followed by a series of connected strokes.

REPORT OF THE DIRECTORSDirectors

J. Barkley
J.C. O'Neil

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 29th February, 2000.

Activity

The Company's principal activity is the ownership and development of land for residential housing.

Results and Dividend

The loss for the year after taxation amounted to £180 (1999 profit - £32,611). 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. J.K. Cruikshank served as a Director until his resignation on 1st April, 1999, when he was replaced by J.C. O'Neil.

No Director had an interest in the shares of the Company, nor in the preference stocks of The Governor and Company of the Bank of Scotland ("Bank of Scotland"), the Company's ultimate parent undertaking, nor in the shares of any other undertakings within the Bank of Scotland Group, at any time during the year.

Directors' interests in the ordinary stock units of Bank of Scotland were as follows:-

	<u>At 1st March, 1999</u> <u>or Date of Appointment</u> <u>Ordinary Stock Units of 25p each</u>	<u>At 29th February, 2000</u> <u>Ordinary Stock Units of 25p each</u>
J. Barkley	89,650	84,521
J.C. O'Neil	3,028	5,525

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 29th February, 2000 as follows:-

Executive Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>1999</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>29th February</u> <u>2000</u>
J. Barkley	64,500	10,000	21,500	53,000

Ordinary Stock units of 25p each

Bank of Scotland policy is to make an annual grant of options over the ten year life of the Executive Stock Option Scheme.

Directors and their interests (Continued)Savings Related Stock Options held by Directors

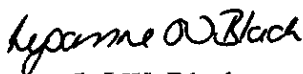
	<u>#Options held as at 1st March 1999</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 29th February 2000</u>
J. Barkley	4,273	203	952	3,524
J.C. O'Neil	5,475	773	952	5,296

Ordinary Stock units of 25p each

Auditors

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. 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

30th March, 2000

PROFIT AND LOSS ACCOUNTFor the year ended 29th February, 2000

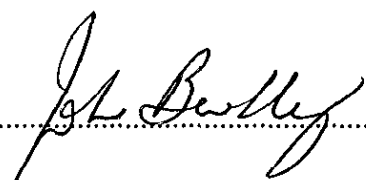
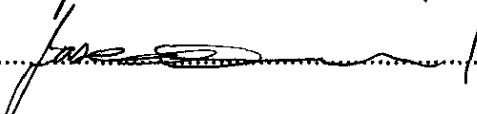
	<u>Notes</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Turnover		4,235,060	3,902,896
Cost of sales		(4,235,060)	(3,861,321)
Gross profit		<u>-</u>	<u>41,575</u>
Interest receivable		31	5,542
Administrative expenses		(288)	145
(Loss)/Profit on ordinary activities before taxation	2	<u>(257)</u>	<u>47,262</u>
Taxation	3	77	(14,651)
(Loss)/Profit on ordinary activities after taxation		<u>(180)</u>	<u>32,611</u>
Profit and Loss account 1st March, 1999		37,889	5,278
Profit and Loss account 29th February, 2000		<u><u>37,709</u></u>	<u><u>37,889</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.

The notes on pages 5 to 7 form part of these accounts.

BALANCE SHEETAs at 29th February, 2000

	<u>Notes</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
<u>Current Assets</u>			
Stocks	4	696,580	1,666,510
Amount due from ultimate parent undertaking		64,300	68,157
Other debtors		2,099,500	-
Group taxation relief receivable		77	-
		<u>2,860,457</u>	<u>1,734,667</u>
<u>Creditors: amounts falling due within one year</u>	5	<u>(2,822,746)</u>	<u>(1,696,776)</u>
<u>Total Assets less Current Liabilities</u>		<u>37,711</u>	<u>37,891</u>
<u>Share Capital and Reserves</u>			
Share Capital	6	2	2
Profit and Loss account		37,709	37,889
<u>Equity Shareholders' Funds</u>	7	<u>37,711</u>	<u>37,891</u>

 Director
 Director

30th March, 2000

.....

The notes on pages 5 to 7 form part of these accounts.

NOTES TO THE ACCOUNTS1. Accounting policies1.1 Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with currently applicable accounting standards.

1.2 Turnover

Turnover, which is stated net of VAT, represents amounts invoiced to third parties and is brought into account when sales have been contractually completed. Turnover is generated wholly within the United Kingdom.

1.3 Stock

Stock is stated at lower of cost and net realisable value. Cost includes the cost of land, direct construction costs and capitalised interest.

1.4 Interest

Interest is taken into account when charged or credited by the lender. Interest payable is capitalised to the extent that it is clearly attributable to properties under construction.

1.5 Cost of Sales

Cost of sales is calculated as the proportion of the square footage of units sold when compared to the total square footage available for sale as applied to the total estimated costs of completion (including costs to complete). Cost of sales includes an element of profit from the development contract attributable to the developer.

1.6 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.

2. (Loss)/Profit on ordinary activities before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging :

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Audit fees	<u>1,000</u>	<u>1,000</u>

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

NOTES TO THE ACCOUNTS (Continued)3. Taxation

The credit/(charge) for taxation is based on the (loss)/profit arising from ordinary activities and comprises:

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Corporation tax	77	(27,579)
Deferred taxation	-	12,928
	<u>77</u>	<u>(14,651)</u>

4. Stocks

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Land	666,349	998,450
Work in progress and other stocks	30,231	668,060
	<u>696,580</u>	<u>1,666,510</u>

Stocks include interest capitalised of £42,880 (1999 - £86,152).

5. Creditors: amounts falling due within one year

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Trade creditors	653,614	124,493
Amounts due to fellow subsidiary	2,168,132	1,543,704
Accruals	1,000	1,000
Corporation tax	-	27,579
	<u>2,822,746</u>	<u>1,696,776</u>

NOTES TO THE ACCOUNTS (Continued)6. Share Capital

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted, called up and fully paid</u>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

7. Reconciliation of Equity Shareholders' Funds

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
(Loss)/Profit attributable to Equity Shareholders	(180)	32,611
Equity Shareholders' Funds at 1st March, 1999	37,891	5,280
Equity Shareholders' Funds at 29th February, 2000	<u>37,711</u>	<u>37,891</u>

8. Parent undertakings

The Company's parent undertaking is Horizon Capital Limited and its ultimate parent undertaking is The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company is included in the consolidated accounts of Bank of Scotland and copies of its 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 accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF
HORIZON RESIDENTIAL DEVELOPMENTS LIMITED

We have audited the accounts on pages 3 to 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 8 this includes responsibility for preparing 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 Accounting 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. 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 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 29th February 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

30 March 2000

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh