

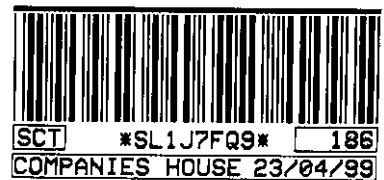
FETTES DEVELOPMENTS LIMITED

REPORT AND ACCOUNTS

28th February, 1999

Company Number 147997

*p*



REPORT OF THE DIRECTORSDirectors

J. Barkley

J. K. Cruickshank

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 28th February, 1999.

Activity

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

Results and Dividend

The profit for the year after taxation amounted to £32,611 (1998 - £7,288). 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. A. M. Scott served as a Director until his resignation on 6th April, 1998, when he was replaced by J. K. Cruickshank. The other Director served throughout the year.

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 28th February, 1998</u> <u>Or at Date of Appointment</u> <u>Ordinary Stock Units of 25p each</u>	<u>At 28th February, 1999</u> <u>Ordinary Stock Units of 25p each</u>
J. Barkley	32,737	89,650
J. K. Cruickshank	13,875	16,828

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 1999 as follows:-

Executive Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>1998</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>28th February</u> <u>1999</u>
J. Barkley	123,500	15,000	74,000	64,500
J. K. Cruickshank	-	4,000	-	4,000

# 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 1998</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 1999</u>
J. Barkley	4,533	681	941	4,273
J. K. Cruickshank	6,243	1,127	2,339	5,031

# Ordinary Stock units of 25p each

Auditors

In accordance with s.392 of the Companies Act 1985 (as amended) Ernst & Young, Auditors will serve notice on the company intimating their resignation as auditors of the company with effect from 15th June, 1999. KPMG Audit plc will be appointed auditors by the directors with effect from 15th June, 1999.

By Order of the Board,

*L.J.W. Black*

L.J.W. Black,  
Secretary.

Registered Office

The Mound,  
EDINBURGH,  
EH1 1YZ

155 April, 1999

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1999

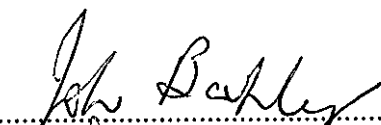
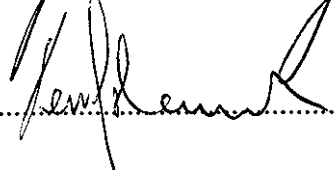
	<u>Notes</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Turnover		3,902,896	5,081,859
Cost of sales		(3,861,321)	(5,081,859)
Gross profit		<u>41,575</u>	<u>-</u>
Interest receivable from ultimate parent undertaking		5,542	-
Administrative expenses		145	(1,000)
Profit/(Loss) on ordinary activities before taxation	2	<u>47,262</u>	<u>(1,000)</u>
Taxation	3	(14,651)	8,288
Profit on ordinary activities after taxation		<u>32,611</u>	<u>7,288</u>
Profit and Loss account 1st March, 1998		5,278	(2,010)
Profit and Loss account 28th February, 1999		<u><u>37,889</u></u>	<u><u>5,278</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 28th February, 1999

	<u>Notes</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
<u>Current Assets</u>			
Stocks	4	1,666,510	1,502,238
Amount due from ultimate parent undertaking		68,157	-
Other debtors		-	1,862,325
		<u>1,734,667</u>	<u>3,364,563</u>
<u>Creditors: amounts falling due within one year</u>	5	<u>(1,696,776)</u>	<u>(3,346,355)</u>
<u>Net Current Assets</u>		<u>37,891</u>	<u>18,208</u>
<u>Provision for liabilities and charges</u>			
Deferred taxation	6	-	(12,928)
<u>Total Assets less Current Liabilities</u>		<u>37,891</u>	<u>5,280</u>
<u>Share Capital and Reserves</u>			
Share Capital	7	2	2
Profit and Loss account		37,889	5,278
<u>Equity Shareholders' Funds</u>	8	<u>37,891</u>	<u>5,280</u>

 ..... Director  
 ..... Director

1st April, 1999

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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. Profit/(Loss) on ordinary activities before taxation

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

	<u>1999</u>	<u>1998</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 (charge)/credit for taxation is based on the profit/(loss) arising from ordinary activities and comprises:

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Corporation tax	(27,579)	(121,339)
Adjustment to previous year current tax	-	71,980
Deferred taxation (Note 6)	12,928	129,627
Adjustment to previous year deferred tax	-	(71,980)
	<u>(14,651)</u>	<u>8,288</u>

4. Stocks

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Land	998,450	936,467
Work in progress and other stocks	668,060	565,771
	<u>1,666,510</u>	<u>1,502,238</u>

Stocks include interest capitalised of £86,152 (1998 - £166,714).

5. Creditors: amounts falling due within one year

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Trade creditors	124,493	263,127
Other creditors	-	382,664
Amounts due to parent undertaking	-	2,500,000
Amounts due to ultimate parent undertaking	-	74,225
Amounts due to fellow subsidiary	1,543,704	-
Accruals	1,000	5,000
Corporation tax payable	27,579	121,339
	<u>1,696,776</u>	<u>3,346,355</u>

NOTES TO THE ACCOUNTS (Continued)6. Deferred Taxation

Deferred taxation which is also the full potential deferred tax liability arises from short term timing differences. The movement during the year is as follows:

	<u>£</u>
As at 1st March, 1998	12,928
Profit and Loss Account	(12,928)
As at 28th February, 1999	<u><u>-</u></u>

7. Share Capital

	<u>1999</u> <u>£</u>	<u>1998</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>

8. Reconciliation of Equity Shareholders' Funds

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Profit attributable to Equity Shareholders	32,611	7,288
Equity Shareholders' Funds at 1st March, 1998	5,280	(2,008)
Equity Shareholders' Funds at 28th February, 1999	<u><u>37,891</u></u>	<u><u>5,280</u></u>

9. 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

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for the year. The Directors consider that in preparing the financial statements on pages 3 to 7 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which 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.

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REPORT OF THE AUDITORS TO THE MEMBERS OF  
FETTES DEVELOPMENTS LIMITED

We have audited the accounts on pages 3 to 7, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on page 8, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**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 as at 28th February, 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

Ernst & Young  
Registered Auditor  
Edinburgh.

1 April, 1999