

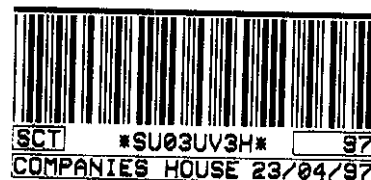
FETTES DEVELOPMENTS LIMITED

REPORT AND ACCOUNTS

28th February, 1997

Company Number 147997

*Handwritten mark*



REPORT OF THE DIRECTORSDirectors

J. Barkley

A. Scott

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 28th February, 1997.

Activity

The Company's principal activity is the ownership and development of land for residential housing. No change is expected in that activity.

Results and Dividend

The loss for the year after taxation amounted to £670 (1996 - loss £670). 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. Mr J. K. Cruickshank served until his resignation on 7th April, 1997. Mr A. Scott was appointed as a Director on 7th April, 1997. Mr J. Barkley 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 29th February, 1996</u>	<u>At 28th February, 1997</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
J. Barkley	47,724	43,716
J. K. Cruickshank	7,020	11,037

Options to subscribe for ordinary stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 1997 as follows:

Executive Stock Options held by Directors

	# Options held as at 1st March 1996	# Options granted	# Options exercised	# Options held as at 28th February 1997	Weighted average exercise price	Market price at date of exercise	Potential pre-tax gain at date of exercise	Closing weighted average exercise price
					(p)	(p)	£'000	(p)
J. Barkley	95,500	18,000	-	113,500	-	-	-	193.00

# Ordinary Stock units of 25p each

Directors and their interests (continued)

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

Options granted prior to October 1995 were granted at an exercise price of the average market price for the three dealing days immediately prior to the date on which invitations to apply for options were issued.

Options granted in October 1995 and subsequently were granted at an exercise price of the average market price for the first three dealing days on which the Ordinary Stock is quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. Such options are subject to a performance pre-condition and may be exercised only where growth in earnings per Ordinary Stock unit has exceeded the growth in the General Index of Retail Prices over a period of not less than three consecutive financial years by not less than 2 per cent per annum.

Options were granted in October 1996 at an exercise price of 273.67p per Ordinary Stock unit.

Outstanding options are exercisable between 1997 and 2006. No options lapsed during the year.

Savings Related Stock Options held by Directors

	# Options held as at 1st March 1996	# Options granted	# Options exercised	# Options held as at 28th February 1997	Weighted average exercise price (p)	Market price at date of exercise (p)	Potential pre-tax gain at date of exercise £'000	Closing weighted average exercise price (p)
J. Barkley	5,700	597	-	6,297	-	-	-	115.63
J. K. Cruickshank	8,489	1,322	2,644	7,167	65.54	238.50	4.6	146.21

# Ordinary Stock units of 25p each

Options granted in 1989 were at a 10% discount and those granted between 1989 and 1995 were at a 20% discount to the market price on the fourth dealing day after the announcement of the interim results.

Options granted in November 1995 and subsequently are at an exercise price of 80% of the average market price for the first three dealing days on which the Ordinary Stock was quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. Options were granted in November 1996 at an exercise price of 218.93p per Ordinary Stock unit.

Outstanding options are exercisable between 1997 and 2004. No options lapsed during the year.

The market price of the Ordinary Stock at 28th February, 1997 was 341.0p per Ordinary Stock unit and the range during the year was 227.5p to 373.5p.

Auditors

In accordance with the provisions of Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst and Young will continue in office as auditors.

By Order of the Board,



L. J. W. Black,  
Secretary.

Registered Office

The Mound,  
EDINBURGH, EH1 1YZ

7<sup>th</sup> April, 1997

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1997

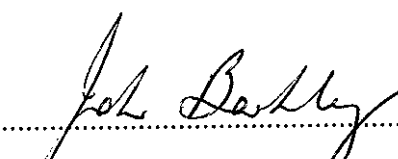
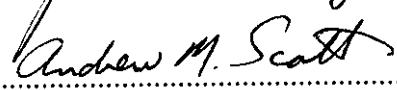
	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover		3,618,756	4,299,268
Cost of sales		(3,618,756)	(4,299,268)
Gross profit		<u>-</u>	<u>-</u>
Administrative expenses		(1,000)	(1,000)
Loss on ordinary activities before taxation	2	<u>(1,000)</u>	<u>(1,000)</u>
Taxation	3	330	330
Loss on ordinary activities after taxation		<u>(670)</u>	<u>(670)</u>
Profit and Loss account 1st March, 1996		(1,340)	(670)
Profit and Loss account 28th February, 1997		<u><u>(2,010)</u></u>	<u><u>(1,340)</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 6 to 8 form part of these accounts.

BALANCE SHEETAs at 28th February, 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
<u>Current Assets</u>			
Stocks	4	5,117,517	5,460,644
Other debtors		1,247,350	531,500
Group relief receivable		-	47,137
		<u>6,364,867</u>	<u>6,039,281</u>
<u>Creditors: amounts falling due within one year</u>	5	(6,296,300)	(5,898,064)
<u>Net Current Assets</u>		<u>68,567</u>	<u>141,217</u>
<u>Provision for liabilities and charges</u>			
Deferred taxation	6	(70,575)	(142,555)
<u>Total Assets less Current Liabilities</u>		<u>(2,008)</u>	<u>(1,338)</u>
<u>Share Capital and Reserves</u>			
Share Capital	7	2	2
Profit and Loss account		(2,010)	(1,340)
<u>Equity Shareholders' Funds</u>	8	<u>(2,008)</u>	<u>(1,338)</u>

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

7<sup>th</sup> April, 1997

.....

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

NOTES TO THE ACCOUNTS1. Accounting policies1.1 Basis of preparation

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

1.2 Accounting convention

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

1.3 Turnover

Turnover is brought into account when sales have been contractually completed.

1.4 Stock

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

1.5 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.

1.6 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 to complete. Cost of sales includes an element of profit from the development contract attributable to the developer.

1.7 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 on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging :

	<u>1997</u>	<u>1996</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 for taxation is based on the loss arising from ordinary activities and comprises:

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Corporation tax at 33%	(71,650)	-
Group relief receivable at 33%	-	47,137
Adjustment to previous year	-	95,748
Deferred taxation (Note 6)	71,980	(142,555)
	<u>330</u>	<u>330</u>

4. Stocks

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Land	2,315,222	3,359,813
Work in progress and other stocks	2,802,295	2,100,831
	<u>5,117,517</u>	<u>5,460,644</u>

Stocks include interest capitalised of £556,995 (1996 - £442,226).

5. Creditors: amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade creditors	257,152	206,177
Other creditors	331,117	214,641
Amounts due to parent undertaking	4,650,000	5,268,752
Amounts due to ultimate parent undertaking	985,381	207,494
Accruals	1,000	1,000
Corporation tax payable 1st December, 1997	71,650	-
	<u>6,296,300</u>	<u>5,898,064</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:

	£
As at 1st March, 1996	142,555
Profit and Loss Account	(71,980)
As at 28th February, 1997	<u>70,575</u>

7. Share Capital

	1997 £	1996 £
<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

	1997 £	1996 £
Loss attributable to shareholders	(670)	(670)
Equity Shareholders' Funds at 1st March, 1996	(1,338)	(668)
Equity Shareholders' Funds at 28th February, 1997	<u>(2,008)</u>	<u>(1,338)</u>

9. Parent undertakings

The Company's parent undertaking is BOS Property Assets 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.

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 4 to 8 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF  
FETTES DEVELOPMENTS LIMITED

We have audited the accounts on pages 4 to 8, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

**Respective responsibilities of directors and auditors**

As described on page 9, 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.

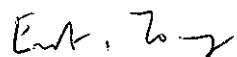
**Basis of opinion**

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, 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
Edinburgh.

7 April, 1997