

HORIZON PROPERTY INVESTMENTS  
(SOUTH) LIMITED

(FORMERLY HORIZON RESIDENTIAL  
DEVELOPMENTS LIMITED)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

50  
Company Number 155137



## REPORT OF THE DIRECTORS

### Directors

J.K. Cruickshank  
J.C. O'Neil

The Directors have pleasure in submitting their report and accounts of the Company for the year ended 31 December 2002.

### Change of Name

The Company changed its name on 11 February 2002 from Horizon Residential Developments Limited to Horizon Property Investments (South) Limited.

### Activity & Review of Business

The Company's principal activity is the acquisition of land and properties, which will be developed and sold for residential purposes.

### Results and Dividend

The loss after taxation for the year ended 31 December 2002 amounted to £56,548 (10 months to 31 December 2001: loss of £22). 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. Both Directors served throughout the year.

During the year no director had any beneficial interest in the share capital of the company or of any group undertaking other than in HBOS plc, the ultimate holding company, details of which are set out below.

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

	<u>At 31 December 2001</u> <u>Ordinary Shares of 25p each</u>	<u>At 31 December 2002</u> <u>Ordinary Shares of 25p each</u>
J. K. Cruickshank	19,768	22,081
J. C. O'Neil	6,651	7,617

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REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

Long Term Incentive Plan

Options to subscribe for ordinary shares of HBOS plc were exercised by Directors to 31 December 2002 as follows:

	<u>*Options held as at 1 January 2002</u>	<u>*Options exercised</u>	<u>*Options held as at 31 December 2002</u>
J. K. Cruickshank	11,000	-	11,000
J. C. O'Neil	2,000	-	2,000
* Ordinary Shares of 25p each			

Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans at 31 December 2002 were as follows:

	<u>*Options held as at 1 January 2002</u>	<u>*Options granted</u>	<u>*Options Exercised</u>	<u>*Options held as at 31 December 2002</u>
J. K. Cruickshank	4,696	681	(1,322)	4,055
J. C. O'Neil	4,861	712	-	5,573
* Ordinary Shares of 25p				

HBOS 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 1 January 2002</u>	<u>*Options granted</u>	<u>*Options Exercised</u>	<u>*Options held as at 31 December 2002</u>
J. K. Cruickshank	-	1,677	-	1,677
J. C. O'Neil	-	1,146	-	1,146
* Ordinary Shares of 25p				

Under the HBOS Inland Revenue Approved Share Option Plan, shares are granted to all HBOS employees, except certain senior executives.

REPORT OF THE DIRECTORS (continued)

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,



A.I. Macrae  
Secretary

Registered Office  
2<sup>nd</sup> Floor  
New Uberior House  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

21 February 2003

PROFIT & LOSS ACCOUNT  
For the year ended 31 December 2002

	<u>Notes</u>	<u>12 months to</u> <u>31 December</u> <u>2002</u> <u>£</u>	<u>10 months to</u> <u>31 December</u> <u>2001</u> <u>£</u>
Turnover		37,500	-
Cost of Sales		<u>(7,168)</u>	<u>-</u>
Gross Profit		30,332	-
Administration expenses		<u>(68,389)</u>	<u>-</u>
Operating (loss)		(38,057)	-
Other Income		-	201
Interest receivable	2	109	2
Interest payable to group companies	3	<u>(39,855)</u>	<u>-</u>
(Loss)/Profit on ordinary activities before taxation	4	(77,803)	203
Taxation on (loss)/profit of ordinary activities	5,6	<u>21,255</u>	<u>(225)</u>
(Loss) on ordinary activities after taxation and for the financial year		(56,548)	(22)
Profit and Loss account 1 January 2002		(2)	20
Profit and Loss account 31 December 2002		<u><u>(56,550)</u></u>	<u><u>(2)</u></u>

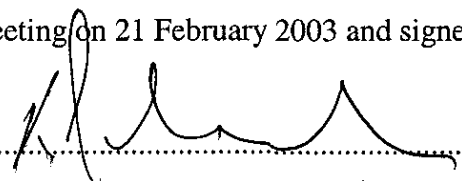
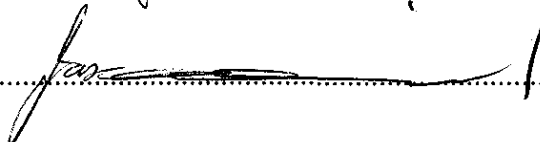
All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the Company.

The notes on pages 6 to 9 form part of these accounts.

BALANCE SHEET  
As at 31 December 2002

	<u>Notes</u>	<u>2002</u> <u>£</u>	<u>2001</u> <u>£</u>
<u>Current Assets</u>			
Stock		1,400,000	-
Corporation Tax Recoverable	5	3,022	-
Deferred Tax Asset	6	18,233	-
Total Assets		<u>1,421,255</u>	<u>-</u>
<u>Creditors: amounts falling due within one year</u>			
Other creditors		(4,338)	-
Amounts due to fellow subsidiary undertaking		(1,473,465)	-
		<u>(1,477,803)</u>	<u>-</u>
<u>Total Assets less Current Liabilities</u>		<u>(56,548)</u>	<u>-</u>
<u>Share Capital and Reserves</u>			
Called-up Share Capital	7	2	2
Profit and Loss Account		(56,550)	(2)
<u>Equity Shareholders' Funds</u>	8	<u>(56,548)</u>	<u>-</u>

Approved by the Board at a meeting on 21 February 2003 and signed on its behalf by:

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

The notes on pages 6 to 9 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

1.1 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.

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

1.2 Interest

Interest on bank loans is accrued on a daily basis.

1.3 Taxation

In the current year, the company implemented FRS 19 "Deferred Tax". The effect of implementing this new accounting standard was to reduce the taxation on profit on ordinary activities by £18,233 (2001 - £nil), and increase the value of the company's reserves at 31 December 2002 by £18,233 (2001 - £nil). This is mainly due to the recognition in full of a deferred tax asset on property costs.

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 FRS 19.

1.4 Stock

Stock is stated at the lower of cost and net realisable value. Stock represents the cost of land.

1.5 Cash flow statement

The Company has taken advantage of the exemption available under Financial Reporting Standard 1 not to prepare a cash flow statement as it is over 90% owned by the HBOS plc group.

2. Interest receivable

	<u>12 months to</u> <u>31 December</u> <u>2002</u> <u>£</u>	<u>10 months to</u> <u>31 December</u> <u>2001</u> <u>£</u>
Interest receivable from other group companies	<u>109</u>	<u>2</u>

3. Interest payable to group companies

	<u>12 months to</u> <u>31 December</u> <u>2002</u> <u>£</u>	<u>10 months to</u> <u>31 December</u> <u>2001</u> <u>£</u>
Interest payable to other group companies	<u>(39,855)</u>	<u>-</u>

NOTES TO THE ACCOUNTS (continued)

4. (Loss)/profit on ordinary activities before taxation

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

	<u>12 months to</u> <u>31 December</u>	<u>10 months to</u> <u>31 December</u>
	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
Auditors' remuneration	<u>1,000</u>	<u>-</u>

The audit fee last year of £750 was borne by the immediate parent undertaking and was therefore not included in these accounts.

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

5. Taxation on (loss)/profit on ordinary activities

	<u>12 months to</u> <u>31 December</u>	<u>10 months to</u> <u>31 December</u>
	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
<u>Current Tax:</u>		
Corporation tax (credit)/charge for the year at a rate of 30% (2001 30%)	(3,022)	225
	<u>(3,022)</u>	<u>225</u>
<u>Deferred Tax:</u>		
Deferred tax (credit) for the year at a rate of 30% (2001 30%)	(18,233)	-
	<u>(21,255)</u>	<u>225</u>
<u>Factors Affecting the Current Tax (Credit)/Charge for the Period:</u>		
The tax assessed for the period is (lower) than the standard rate of corporation tax in the UK of 30%		
The differences are explained below:		
(Loss)/profit on ordinary activities before taxation	<u>(77,803)</u>	<u>203</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	(23,340)	61
	<u>-</u>	<u>-</u>
Effects of:		
Other short term timing differences – Movement in non-allowable provisions	18,233	-
Expenses/(income) not deductible/(chargeable) for corporation tax purposes	2,085	(60)
Adjustments to tax in respect of previous periods	-	225
Other	<u>-</u>	<u>(1)</u>
Current corporation tax (credit)/charge for the period	<u>(3,022)</u>	<u>225</u>



NOTES TO THE ACCOUNTS (continued)

6. Deferred Tax

	<u>2002</u>	<u>2001</u>
	£	£
At 1 January 2002	-	-
Current year (credit)	(18,233)	-
Balance carried forward	<u>(18,233)</u>	<u>-</u>
Deferred taxation comprises:		
Other timing differences	(18,233)	-
Deferred Tax (Asset)	<u>(18,233)</u>	<u>-</u>

7. Share Capital

	<u>2002</u>	<u>2001</u>
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

NOTES TO THE ACCOUNTS (continued)

8. Reconciliation of Equity Shareholders' Funds

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
(Loss) attributed to Equity Shareholders	(56,548)	(22)
Net movements in Shareholders funds	(56,548)	(22)
Equity Shareholders' Funds at 1 January 2002	-	22
Equity Shareholders' Funds at 31 December 2002	<u>(56,548)</u>	<u>-</u>

9. 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. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed other than as required under Companies Act 1985.

10. Parent Undertakings

The Company's parent undertaking is Horizon Capital 2000 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 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 accounts;
- 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HORIZON PROPERTY INVESTMENTS (SOUTH) LIMITED

We have audited the financial statements on pages 4 to 9.

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 directors' report and, as described on page 10, 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 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 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 its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*

*Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG*

21 February 2003