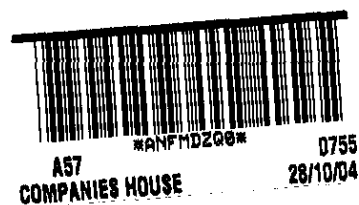


STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)

REPORT AND ACCOUNTS
FOR THE PERIOD FROM 1 APRIL 2003 TO 7 DECEMBER 2003

COMPANY NUMBER: SC 059678



STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)

PERIOD ENDED 7 DECEMBER 2003

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STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
PERIOD ENDED 7 DECEMBER 2003

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the period ended 7 December 2003.

Principal activities

The principal activity of the company is the provision of finance and associated services.

Review of the business

During the period, the company purchased the ship, the Stena Explorer from a fellow group company.

The company's loss for the financial period is £244,000 (2003: £70,000). A dividend of £925,000 was proposed for the financial period (2003: £Nil).

The company has conducted its activities throughout the period in a satisfactory manner.

Post balance sheet events

The company was purchased by Stena (UK) Limited on 8 December 2003 and changed its name to Stena Explorer Limited on that date.

On 9 December 2003 the company sold and leased back its ownership of the Stena Explorer, by way of a finance lease, to a fellow group company.

Directors

The Directors of the company during the period from 1 April 2003 to the date of this report were: -

S. W. Carlsson	(appointed 8 December 2003)
M. H. Percy	(appointed 8 December 2003)
R.B.Hare	(resigned 20 November 2003)
J.N.Coppard	(resigned 20 November 2003)
S.J.Peters	(appointed 20 November 2003, resigned 8 December 2003)
K. Walsh	(appointed 20 November 2003 resigned 8 December 2003)

During the period to 7 December 2003 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 (at the period end), details of which are set out below.

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
PERIOD ENDED 7 DECEMBER 2003

REPORT OF THE DIRECTORS (continued)

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

Ordinary Shares of 25p each

	As at 1 April 2003	As at 7 December 2003
S.J. Peters*	3,582	3,582
K. Walsh*	5,562	5,562

Short-term Incentive Plan

Certain Directors have a conditional entitlement to shares arising from the annual incentive. Where the annual incentive for any year was taken in shares and these shares are retained in trust for 3 years, the following shares will also be transferred to the Directors.

	Grant effective from March 2002	Grant effective from March 2003	As at 7 December 2003
S.J. Peters*	-	610	610
K. Walsh*	-	818	818

Sharesave Plan

Share options granted under these plans are set out below.

Options – Ordinary shares of 25p each

	As at 1 April 2003	Options granted	Options exercised/ lapsed	As at 7 December 2003
S.J. Peters*	-	-	-	-
K. Walsh*	474	-	-	474

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
PERIOD ENDED 7 DECEMBER 2003

REPORT OF THE DIRECTORS (continued)

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 7 December 2003 were as follows:

Options – Ordinary shares of 25p each

	As at 1 April 2003	Options granted	Options exercised/ lapsed	As at 7 December 2003
S.J. Peters*	5,842	-	-	5,842
K. Walsh*	4,316	-	-	4,316

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

* At date of appointment

Auditor

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meeting and the appointment of auditors annually are currently in force. The auditor, KPMG Audit Plc, will therefore be deemed to have been reappointed at the end of the period of 28 days beginning with the day on which the copies of this report and accounts are sent to members unless a resolution is passed under section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

**STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
PERIOD ENDED 7 DECEMBER 2003**

REPORT OF THE DIRECTORS (continued)

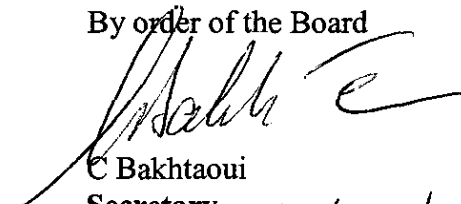
Statement of directors' responsibilities

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 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; and
- 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 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.

By order of the Board



C Bakhtaoui

Secretary

Date *20 September* 2004

Alba House
2 Central Avenue
Clydebank Business Park
Clydebank
G81 2QR

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
PERIOD ENDED 7 DECEMBER 2003

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STENA EXPLORER LIMITED (FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)

We have audited the financial statements on pages 6 to 14.

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 4, 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 the company's affairs as at 7 December 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

25 October 2004

St James Square
Manchester
M2 6DS

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

PROFIT AND LOSS ACCOUNT

		Period to 7 December 2003 £'000	Year ended 31 March 2003 £'000
Continuing operations	Notes		
Turnover	2	1,120	89
Finance and trading costs		<u>(1,458)</u>	<u>(189)</u>
Gross loss		(338)	(100)
Administrative expenses		<u>(7)</u>	<u>-</u>
Loss on ordinary activities before taxation	3	(345)	(100)
Tax on losses on ordinary activities	5	<u>101</u>	<u>30</u>
Loss for the financial year		(244)	(70)
Dividends	6	<u>(925)</u>	<u>-</u>
Retained loss for the financial year		(1,169)	(70)
Profit and loss account brought forward		<u>1,169</u>	<u>1,239</u>
Profit and loss account carried forward		<u>-</u>	<u>1,169</u>

There are no recognised gains and losses other than those shown above. Accordingly no statement of total recognised gains and losses has been presented.

The notes on pages 8 to 14 form part of the financial statements

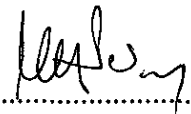
STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
AS AT 7 DECEMBER 2003

BALANCE SHEET

	Notes	At 7 December 2003 £'000	At 31 March 2003 £'000
Current assets			
Debtors : receivable within one year	7	7,629	8,334
: receivable after one year	7	85,674	446
		93,303	8,780
Creditors: payable within one year	8	(69,485)	(7,511)
Total assets less current liabilities		23,818	1,269
Provisions for liabilities and charges			
Deferred taxation	9	(23,818)	(100)
		-	1,169
Called up share capital	10	-	-
Profit and loss account		-	1,169
Shareholders' funds	11	-	1,169

The notes on pages 8 to 14 form part of the financial statements.

Approved by the Board of Directors on *20 September* 2004 and signed on its behalf by



 M. H. Percy
 Director

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985 and in compliance with the Finance and Leasing Association Statement of Recommended Accounting Practice (SORP).

Cash flow statement

As a wholly owned subsidiary undertaking the company is exempt from including a statement of cash flows in its accounts. HBOS plc has included a consolidated statement of cash flows in its consolidated accounts.

Deferred taxation

The charge for the year is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except as otherwise provided by accounting standards, deferred taxation is provided on the full provision method on those timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised on permanent timing differences.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies (continued)

Finance leases

Assets leased to customers which transfer substantially all the risks and rewards of ownership to the customer are classified as finance leases and are recorded within finance debtors. The net investment in finance leases represents total minimum payments less gross earnings allocated to future periods. Obligations under leases with third party finance lessors are included in creditors.

Income from finance leases is credited to the profit and loss account using a method to give a constant periodic return on the net cash investment.

The earnings element of leasing rentals is credited to revenue, after making a deduction for certain initial expenses, in proportion to the funds invested to the related contracts.

Provisions for bad and doubtful debts

Specific and general provisions are deducted from loans and advances. Provision made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the profit and loss account.

Interest payable

Interest payable on funding from group undertakings is regarded as an operating cost and is included in operating profit in the profit and loss account.

Foreign exchange

Transactions denominated in foreign currencies are recorded at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of a transaction is included as an exchange gain or loss in the profit and loss account.

2. Turnover

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements and income from associated services.

The turnover and pre-tax result are attributable to one continuing activity, the provision of finance and associated services.

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

3. Loss on ordinary activities before taxation

	Period ended 7 December 2003 £'000	Year ended 31 March 2003 £'000
Loss on ordinary activities before taxation is stated after crediting:		
Finance lease rentals	<u>1,366</u>	<u>685</u>
And after charging:		
Intra group interest	<u>1,470</u>	<u>189</u>

No auditor's remuneration was borne by the company during the current and prior period.

The company has no employees. It uses the services of its immediate parent undertaking for which a management charge, included in administration expenses, is made.

4. Directors' emoluments

None of the Directors received any emoluments for their services as directors of the company in the current or prior period.

5. Tax on loss on ordinary activities

a. Analysis of tax credit in the year

	Period ended 7 December 2003	Year ended 31 March 2003
	£'000	£'000
Current tax		
UK corporation tax at 30% (2003: 30%) on loss for the year	<u>(398)</u>	<u>116</u>
	(398)	116
Deferred tax		
Origination and reversal of timing differences	<u>297</u>	<u>(146)</u>
	297	(146)
Tax on loss from ordinary activities	<u><u>(101)</u></u>	<u><u>(30)</u></u>

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

5. Tax on loss on ordinary activities (continued)

b. Factors affecting tax (credit)/charge for the year

The current tax credit for the year is higher (year to 31 March 2003: lower) than the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	Period ended 7 December 2003 £'000	Year ended 31 March 2003 £'000
Loss on ordinary activities before taxation	<u>(345)</u>	<u>(100)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(103)	(30)
Effects of:		
Capital allowances (in excess of)/lower than depreciation	(297)	146
Expenses not deductible for corporation tax purposes	2	-
Current tax (credit)/charge for the year	<u>(398)</u>	<u>116</u>

c. Factors that may affect future tax charges

The company expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

6. Dividends

	Period ended 7 December 2003 £'000	Year ended 31 March 2003 £'000
Equity – ordinary		
Final - proposed: £9,248 (2003: £Nil) per £1 share	<u>925</u>	<u>-</u>

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

7. Debtors

Receivable within one year

	7 December 2003 £'000	31 March 2003 £'000
Finance lease debtors	-	175
Amounts owed by group undertakings	7,363	7,223
Group relief receivable	-	133
Corporation Tax	266	803
	<u>7,629</u>	<u>8,334</u>

Receivable after more than one year

	7 December 2003 £'000	31 March 2003 £'000
Finance lease debtors	<u>85,674</u>	<u>446</u>

The cost of assets acquired during the year for the purpose of finance leasing was £85,581,000 (2003: £nil). This asset was transferred from another Group company.

8. Creditors

Amounts falling due within one year

	7 December 2003 £'000	31 March 2003 £'000
Amounts due to group undertakings	64,133	6,907
Other creditors - VAT	22	11
Other creditors	4,405	158
Proposed dividends	925	435
	<u>69,485</u>	<u>7,511</u>

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

NOTES TO THE ACCOUNTS (continued)

9. Deferred taxation

	7 December 2003 £'000	31 March 2003 £'000
Deferred tax provision at the beginning of the year	(100)	(246)
(Charge)/credit for the year (note 5)	(297)	146
Transfer from group undertaking	(23,421)	-
Deferred tax provision at the end of the year	<u>(23,818)</u>	<u>(100)</u>
Of which:		
Accelerated capital allowances	(23,818)	(100)
Deferred tax provision	<u>(23,818)</u>	<u>(100)</u>

10. Share capital

Ordinary shares of £1 each	7 December 2003 £	31 March 2003 £
Authorised 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

11. Reconciliation of movements in shareholders' funds

	7 December 2003 £'000	31 March 2003 £'000
Shareholders' funds at 1 April	1,169	1,239
Loss for the financial year	(244)	(70)
Dividends	<u>(925)</u>	<u>-</u>
Shareholders' funds at 7 December/31 March	<u>-</u>	<u>1,169</u>

**STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED)
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003**

NOTES TO THE ACCOUNTS (continued)

12. Related party transactions

Under FRS 8 Related Party Disclosures, the company is exempt from disclosing transactions with other companies within the HBOS plc group where 90% or more of the voting rights are held within the HBOS plc group.

The directors confirm that there are no other related party transactions which require disclosure in these financial statements.

13. Ultimate parent undertaking

Until 7 December 2003 HBOS Plc was the company's ultimate parent undertaking and parent of the largest group of undertakings for which group accounts (including the Company's results) are drawn up. The Governor and Company of Bank of Scotland is the parent of the smallest group of undertakings for which group accounts (including the Company's results) are drawn up.

Copies of HBOS Plc's accounts and The Governor and Company of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh, EH1 1YZ.

On 8 December 2003 the company was purchased by Stena (UK) Limited, as set out in note 14. Stena (UK) Limited is incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking is Stena AB (publ), a company incorporated in Sweden.

The largest group in which results of the Company are consolidated is that headed by Stena (AB) (publ). The consolidated financial statements of Stena AB (publ) are available at Mastuggskajen, 405 19 Gothenburg, Sweden.

The smallest group in which the results of the Company are consolidated is Stena International BV. The consolidated financial statements of Stena International BV are available at World Trade Center, Amsterdam Airport, Schipol Boulevard 237, 1118 BH Schipol Airport, The Netherlands.

14. Post balance sheet events

On 8 December 2003 the company was sold to Stena (UK) Limited and changed its name to Stena Explorer Limited on that date.

On 9 December 2003 the company sold and leased back its ownership of the Stena Explorer, by way of a finance lease, to a fellow company.

STENA EXPLORER LIMITED
(FORMERLY MELVILLE STREET LEASING (EDINBURGH) LIMITED
FOR THE PERIOD 1 APRIL 2003 TO 7 DECEMBER 2003

ANALYSIS OF THE PROFIT AND LOSS ACCOUNT

	Period ended 7 December 2003 £	Year ended 31 March 2003 £
Turnover		
Leasing rental income	1,366,454	684,684
Depreciation	(246,529)	(604,550)
Profit on sale of leased assets	20	8,711
Per profit and loss account	<u>1,119,945</u>	<u>88,845</u>
Finance and trading costs		
Intra group interest	1,469,707	189,156
Other interest receivable	(6,587)	-
Bad debts written off less amounts recovered	-	14,024
Decrease in provisions for bad and doubtful debts:		
General	(5,587)	(14,056)
Per profit and loss account	<u>1,457,533</u>	<u>189,124</u>
Administrative expenses		
Other expenses	7,369	-
Per profit and loss account	<u>7,369</u>	<u>-</u>
Operating loss	<u>(344,957)</u>	<u>(100,279)</u>