

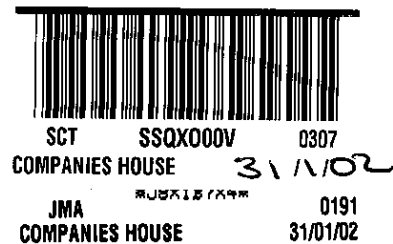
SC  
Company No 059678

**MELVILLE STREET LEASING (EDINBURGH)  
LIMITED**

**ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2001**

1



**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 MARCH 2001**

The Directors hereby submit their Report and the accounts for the year ended 31 March 2001

**Results**£000

The accounts of the company show a loss for the financial year of (344)

The balance brought forward at 1 April 2000 was 728

Leaving a balance to be carried forward of 384

**Activities of the company**

The principal activity of the company is the provision of finance and associated services. The company has conducted its activities throughout the year in a satisfactory manner.

No significant change in the company's activities is foreseen at the present time.

**Directors**

The sole Director of the company as at 31 March 2001 was:-

R.B. Hare

Mr W.G. Barclay was appointed as a Director on 11 May 2001.

Mr Hare did not hold any interests in the capital of the company during the year.

His interests in the companies within the Bank of Scotland Group were as follows:

continued.....

## REPORT OF THE DIRECTORS (continued)

**Bank of Scotland Ordinary Stock Units of 25p each**

	<u>Beneficially owned</u>	
	<u>At 1 April 2000</u>	<u>At 31 March 2001</u>
R.B. Hare	7,646	13,697

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

	<b><u>Executive Stock Options</u></b>			
	<u>Options held as at 1.4.2000</u>	<u>Options granted</u>	<u>Options exercised</u>	<u>Options held as at 31.3.2001</u>
R.B. Hare	29,050	8,000	-	37,050

	<b><u>Savings Related Stock Options</u></b>			
	<u>Options held as at 1.4.2000</u>	<u>Options granted</u>	<u>Options exercised</u>	<u>Options held as at 31.3.2001</u>
R.B. Hare	11,363	435	4,426	7,372

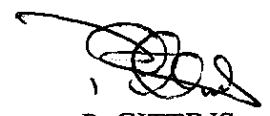
On 10 September 2001, all stock units and options in Bank of Scotland were exchanged for an equal number of shares in HBOS plc.

The Articles of Association do not provide for the retirement of Directors by rotation.

**Auditors**

KPMG Audit Plc, have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

  
P. GITTINS  
Secretary

Bank of Scotland  
New Uberior House  
11 Earl Grey Street  
Edinburgh  
EH3 9BN

29 January 2002

**DIRECTORS' ACCOUNTING RESPONSIBILITIES**

The directors are required to prepare accounts for each financial year which comply with Part VII of the Companies Act 1985 and 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 accounts on pages 5 to 9 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 accounts comply with Part VII of 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.

The directors are satisfied that it is appropriate for these accounts to have been prepared on a going concern basis.

The directors acknowledge their responsibility for the maintenance of systems of internal control, the effectiveness of which they regularly review. These controls are designed to provide reasonable (but cannot provide absolute) assurance on the reliability of the company's systems for identification and management of risk, the maintenance of proper control over the assets and liabilities of the company and the accuracy and reliability of the company's information system.

We have audited the financial statements on pages 5 to 9.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, 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 31 March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**MANCHESTER**

*30 January 2002*

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2001**

	<u>Notes</u>	2001 <u>£000</u>	2000 <u>£000</u>
TURNOVER	2	349	572
Finance and trading costs		<u>(438)</u>	<u>(331)</u>
GROSS (LOSS) / PROFIT		(89)	241
Administrative expenses		<u>(3)</u>	<u>(16)</u>
(LOSS) /PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	(92)	225
Tax on profit on ordinary activities	4	<u>(252)</u>	<u>(328)</u>
(LOSS) FOR THE FINANCIAL YEAR		(344)	(103)
Balance brought forward		728	831
BALANCE CARRIED FORWARD		<u>384</u>	<u>728</u>

There are no recognised gains and losses other than those shown above.

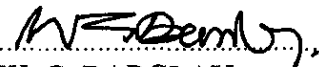
The notes on pages 7 to 9 form part of the financial statements.

## BALANCE SHEET AS AT 31 MARCH 2001

	<u>Notes</u>	2001 <u>£000</u>	2000 <u>£000</u>
CURRENT ASSETS			
Debtors: receivable within one year		1,575	4,399
: receivable after one year		1,430	2,296
	5	3,005	6,695
CREDITORS: payable within one year	6	(2,621)	(5,967)
TOTAL ASSETS LESS CURRENT LIABILITIES		384	728
CREDITORS: payable after 1 year	6	-	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	7	-	-
		384	728
CAPITAL AND RESERVES			
Called up share capital		-	-
Profit and loss account		384	728
EQUITY SHAREHOLDERS' FUNDS		384	728

The notes on pages 7 to 9 form part of the financial statements.

Approved by the Board of Directors on 29 JANUARY 2002 and signed on its behalf by

 DIRECTOR  
W. G. BARCLAY

**NOTES ON 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.

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

**Finance leases and instalment credit agreements**

Income from finance leases and instalment credit agreements is determined by spreading interest charges over the period of repayment in proportion to the net cash investment therein. Rentals on leases in secondary period are recognised on a cash received basis.

The net investment in finance leases is included as a receivable in debtors, and is stated at its recoverable amount.

**Deferred taxation**

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

**2. TURNOVER**

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on instalment credit and 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.

**3. PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION**

	2001 <u>£000</u>	2000 <u>£000</u>
Profit is stated after crediting:		
Finance lease rentals	<u>2,023</u>	<u>5,252</u>
And after charging:		
Interest payable to Capital Bank Plc	460	360
Auditors' remuneration - audit	<u>-</u>	<u>3</u>

Auditors' remuneration is paid by its immediate parent undertaking.



**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**2001  
£000

2000

Taxation based on the result for the year is made up as follows:

Corporation tax at a composite rate of 30.0%	257	499
Transfer from deferred taxation	-	(193)
	<u>257</u>	<u>306</u>
Adjustments relating to prior years:		
Corporation tax	(5)	11
Deferred taxation	-	11
	<u>252</u>	<u>328</u>

**5. DEBTORS**

	2001 Receivable			2000 Receivable		
	within one year £000	after one year £000	Total £000	within one year £000	after one year £000	Total £000
Finance lease debtors	1,575	1,430	3,005	1,700	2,296	3,996
Amounts owed by fellow subsidiary undertaking	-	-	-	1,336	-	1,336
Amounts owed by parent undertaking	-	-	-	1,278	-	1,278
Other debtors	-	-	-	85	-	85
	<u>1,575</u>	<u>1,430</u>	<u>3,005</u>	<u>4,399</u>	<u>2,296</u>	<u>6,695</u>

The cost of assets acquired during the year for the purpose of finance leasing was £nil (£2000: £nil). Included in finance leases receivables is £2,565,050 (2000: £3,850,698) due to the company from other Bank of Scotland Group undertakings of which £1,089,191 (2000: £1,638,184) is receivable within one year.

**6. CREDITORS**

	2001 Receivable			2000 Receivable		
	within one year £000	after one year £000	Total £000	within one year £000	after one year £000	Total £000
Amounts owed to immediate parent undertaking	1,044	-	1,044	4,608	-	4,608
Other creditors	1,289	-	1,289	707	-	707
Corporation tax	142	-	142	450	-	450
VAT	146	-	146	202	-	202
	<u>2,621</u>	<u>-</u>	<u>2,621</u>	<u>5,967</u>	<u>-</u>	<u>5,967</u>

## NOTES ON THE ACCOUNTS (continued)

7. DEFERRED TAXATION	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Full provision has been made as follows:		
Capital allowances on assets leased to customers		
Deferred taxation at 1 April	-	(182)
Movement	-	(182)
Deferred taxation at 31 March	<u>-</u>	<u>-</u>

There is an unrecognised deferred tax asset of £801,926.

8. SHARE CAPITAL	<u>2001</u>	<u>2000</u>
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
Shareholders' funds at 1 April	728	831
(Loss) for the financial year	(344)	(103)
Shareholders' funds at 31 March	<u>384</u>	<u>728</u>

## 11. PARENT UNDERTAKINGS

At the company's year end the parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member was the Governor and Company of the Bank of Scotland, constituted by Act of the Scottish Parliament in 1695. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh.

On 10 September 2001, HBOS plc became 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.

## 12. RELATED PARTY TRANSACTIONS

In accordance with the exemptions afforded by Financial Reporting Standard No.8, there were no reportable transactions with related parties.