

Registered Number: SC174620

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**



**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED  
DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED  
DIRECTORS AND COMPANY INFORMATION**

**DIRECTORS**

J L Burnley  
K C McCabe  
I D Kerr  
R Fleming

**SECRETARY**

L J W Black

**REGISTERED OFFICE**

The Mound  
EDINBURGH  
EH1 1YZ

**AUDITORS**

KPMG Audit plc  
1 The Embankment  
Neville Street  
LEEDS  
LS1 4DW

## **HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2003.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is that of an investment holding company.

### **BUSINESS REVIEW**

No change is expected in the activities of the company.

### **RESULTS AND DIVIDEND**

The result for the year is shown in the profit and loss account on page 9. The directors do not recommend the payment of a dividend (2002 : nil).

### **SUPPLIER PAYMENT POLICY**

The company's suppliers are paid through HBOS plc's centralised Accounts Payable department.

*For the forthcoming period HBOS plc's policy for the payment of suppliers will be as follows:-*

- Payment terms will be agreed at the start of the relationship with the supplier and will only be changed by agreement;
- Standard payment terms to suppliers of goods and services will be 30 days from receipt of a correct invoice for satisfactory goods or services which have been ordered and received unless other terms are agreed in a contract;
- Payment will be made in accordance with the agreed terms or in accordance with the law if no agreement has been made; and
- Suppliers will be advised without delay when an invoice is contested and disputes will be settled as quickly as possible.

HBOS plc complies with the Better Payment Practice Code. Information regarding this Code and its purpose can be obtained from the Better Payment Practice Group's website at [www.payontime.co.uk](http://www.payontime.co.uk).

The company had no trade creditors outstanding at 31 December 2003.

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

**DIRECTORS AND DIRECTORS' INTERESTS**

The directors at the date of this report are as listed on page 2.

**Directors' beneficial interest in the ordinary shares of HBOS plc during the year were as follows: -**

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

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.

The beneficial interests of the directors and their immediate families in HBOS plc shares are set out below: -

	At 31 December 2002 or date of appointment if later HBOS plc shares	At 31 December 2003 HBOS plc shares
I D Kerr	14,864	49,587
R Fleming	7,346	13,876

**Short-term Incentive Plan – HBOS scheme and former Halifax scheme**

Certain directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the directors: -

	Grant effective from	Shares at 31 December 2003
I D Kerr	March 2001	1,944
	March 2002	4,449
	March 2003	4,924
R Fleming	March 2001	1,191
	March 2002	2,030
	March 2003	1,890

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

**DIRECTORS AND DIRECTORS' INTERESTS (Cont'd)**

**Long-Term Incentive Plan – HBOS scheme and former Halifax scheme**

Details of the shares which have been conditionally awarded to directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2003.

	Grant effective from	At 31 December 2002 or date of appointment if later	Granted (G) or lapsed (L) in year	Added as a result of performance	Dividend reinvestment shares	Released in year	At 31 December 2003
I D Kerr	January 2000	18,319	-	18,319	4,818	41,456	-
	January 2001	19,695	-	-	-	-	19,695
	January 2002	18,750	-	-	-	-	18,750
	January 2003	-	31,250	-	-	-	31,250
R Fleming	January 2000	6,914	-	6,914	1,818	15,646	-
	January 2001	7,366	-	-	-	-	7,366
	January 2002	4,125	-	-	-	-	4,125
	January 2003	-	5,364	-	-	-	5,364

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2000 grant ended on 31 December 2002 and, in the light of the performance outcome, grants were released at 200% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 26% of the original conditional grant were also released to participants in accordance with the rules of the plan.

**Long-term Incentive Plan**

**HBOS scheme, former Bank of Scotland scheme and former Halifax scheme**

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	Options outstanding at 31 December 2002 or date of appointment	Granted (G), lapsed (L) or exercised (E) in year	At 31 December 2003
R Fleming	2,635	3,149(G)	5,784

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED  
DIRECTORS' REPORT (Cont'd)**

**DIRECTORS AND DIRECTORS' INTERESTS (Cont'd)**

**Sharesave Plan**

Share option granted under these plans are set out below: -

	At 31 December 2002	Granted (G), lapsed (L) or exercised (E) in year	At 31 December 2003
I D Kerr	4,115	-	4,115
R Fleming	2,362	2,362(E) 1,607(G)	1,607

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

**AUDITORS AND ANNUAL GENERAL MEETING**

Pursuant to a resolution passed by the members, the company has elected to dispense with the holding of Annual General Meetings, of laying financial statements and reports before the company in General Meeting, and with the obligation to reappoint auditors annually.

By Order of The Board



L J W BLACK  
SECRETARY

The Mound  
EDINBURGH  
EH1 1YZ

Date 4/2/04

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED  
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 and 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.



## **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**

*We have audited the accounts on pages 9 to 17.*

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 7, the accounts 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 accounts 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 accounts, 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 Practice 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 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Keith Anair AC*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

1 The Embankment  
Neville Street  
LEEDS LS1 4DW

Date *4 Feb 2004*

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

		<b>Continuing Operations</b>	
	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
TURNOVER	2	-	-
Operating costs		( 78 )	( 71 )
<b>OPERATING LOSS</b>		<b>( 78 )</b>	<b>( 71 )</b>
Income from shares in group undertakings	3	6,009	-
Interest receivable and similar income	4	266	114
Interest payable and similar charges	5	( 266 )	( 114 )
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>6,7,8</b>	<b>5,931</b>	<b>( 71 )</b>
Tax on profit / (loss) on ordinary activities	9	24	21
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	<b>11,15</b>	<b>5,955</b>	<b>( 50 )</b>

All of the above amounts are in respect of continuing operations.

A statement of the movement on reserves is shown in note 11 to the financial statements on page 15.

The company had no recognised gains or losses other than the result for the financial year above.

The notes on pages 12 to 17 form part of these financial statements.

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2003**

	Note	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Investment in subsidiary	10	94	94
<b>CURRENT ASSETS</b>			
Debtors	12	13,535	7,281
<b>CREDITORS</b>			
Amounts falling due within one year	13	( 7,466 )	( 7,167 )
<b>NET CURRENT ASSETS</b>		6,069	114
<b>NET ASSETS</b>		6,163	208
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	200	200
Profit and loss account	11	5,963	8
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15	6,163	208

These financial statements were approved by the Board of Directors on 4/2/04 and were signed on its behalf by:

  
**I D KERR**  
**DIRECTOR**

  
**R FLEMING**  
**DIRECTOR**

The notes on pages 12 to 17 form part of these financial statements.

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
Net cash outflow from operating activities	16	( 269 )	( 425 )
Servicing of finance	17	-	-
Corporation tax recovered	9	21	26
		<hr/>	<hr/>
Decrease in cash	18	( 248 )	( 399 )
		<hr/>	<hr/>

The notes on pages 12 to 17 form part of these financial statements.

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

**1.1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with applicable accounting standards and have been drawn up under the historical cost convention.

The financial statements have been prepared according to the going concern basis, as The Governor and Company of the Bank of Scotland, the immediate parent undertaking has indicated that it will continue to provide financial and other support for the foreseeable future.

**1.2 INVESTMENTS**

Investments are held at cost less diminution for impairment.

**1.3 DEFERRED TAXATION**

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 FRS19.

**2. TURNOVER**

The company had no turnover in the current year (2002 : £nil).

**3. INCOME FROM SHARES IN GROUP UNDERTAKINGS**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Income from shares in group undertakings: -		
Horizon Edinburgh Limited	3,082	-
New Tollcross Limited	2,927	-
	<hr/> 6,009	<hr/> -

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from subsidiary undertakings	266	110
- St Vincent Street Developments Limited £266,000 (2002 : £110,000)		
Interest receivable from group undertakings – Bank of Scotland	-	4
	<hr/> 266	<hr/> 114

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont'd)**

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2003 £000</b>	<b>2002 £000</b>
Interest payable on bank overdraft – Bank of Scotland £266,000 (2002 : £114,000)	266	114

**6. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<b>2003 £000</b>	<b>2002 £000</b>
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Remuneration of auditors for audit services	-	1

In 2003, Auditors' remuneration was borne by Bank of Scotland.

**7. STAFF NUMBERS AND COSTS**

During the year the company employed no permanent staff.

**8. DIRECTORS' EMOLUMENTS**

The directors received emoluments from the company during the year as follows: -

	<b>2003 £000</b>	<b>2002 £000</b>
Total emoluments	20	20

**9. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES**

	<b>2003 £000</b>	<b>2002 £000</b>
<u>Current tax:</u>		
The corporation tax credit for the year based on a corporation tax rate of 30% (2002 : 30%)		
- UK corporation tax	( 24 )	( 21 )
	( 24 )	( 21 )

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont'd)**

**9. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES (Continued)**

Factors Affecting the Current Tax Charge / (Credit) for the Year

The tax assessed for the year is lower than the standard rate of corporate tax in the UK of 30%. The differences are explained below:

	2003 £000	2002 £000
Profit / (loss) on ordinary activities before taxation	5,931	( 71 )
Profit / (loss) on ordinary activities multiplied by the standard rate of corporate tax in the UK	1,779	( 21 )
<u>Effects of:</u>		
Income not chargeable for corporation tax purposes	( 1,803 )	-
	( 24 )	( 21 )

**10. INVESTMENTS**

	2003 £000	2002 £000
Investment in subsidiary undertakings	94	94

The company's interest at 31st December 2003 in ordinary shares of its subsidiaries, all of which are unlisted and registered in Scotland were: -

<u>Name of company</u>	<u>% Held</u>	<u>Business</u>
St Vincent Street Developments Limited	100	Property Investment And Development
Horizon (Edinburgh) Limited	100	Property Investment And Development
New Tollcross Limited	100	Property Development

The company is exempt, under the terms of Section 228 Companies Act 1985, from the requirement to prepare group accounts as it is itself a subsidiary of the HBOS plc group which prepares consolidated accounts.

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont'd)**

**11. PROFIT AND LOSS ACCOUNT**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Opening balance	8	58
Profit / (loss) for the financial year	5,955	( 50 )
Closing balance	<u>5,963</u>	<u>8</u>

**12. DEBTORS**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Amounts due from subsidiary undertaking - loan to St Vincent Street Development Limited £7,502,000 (2002 : £7,233,000)	7,502	7,233
Income from shares in group undertakings	6,009	-
Corporation tax recoverable	24	21
Other debtors	-	27
	<u>13,535</u>	<u>7,281</u>

All amounts fall due within one year.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Amounts due to immediate parent undertaking - Current account balance with Bank of Scotland £7,389,000 (2002 - £7,141,000)	7,389	7,141
Accruals and deferred income	77	26
	<u>7,466</u>	<u>7,167</u>

**14. CALLED UP SHARE CAPITAL**

	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
Authorised 1,000,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 200,000 Ordinary shares of £1 each	<u>200</u>	<u>200</u>



**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont'd)**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £000	2002 £000
Opening shareholders' funds	208	258
Profit / (loss) for the financial year	5,955	( 50 )
Closing shareholders' funds	<u>6,163</u>	<u>208</u>

**16. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2003 £000	2002 £000
Operating loss	( 78 )	( 71 )
Increase in debtors	( 242 )	( 379 )
Increase in creditors	51	25
Net cash outflow from operating activities	<u>( 269 )</u>	<u>( 425 )</u>

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2003 £000	2002 £000
Cash at bank opening balance	( 7,141 )	( 6,755 )
Cash outflow from increase in debt	( 248 )	( 386 )
Cash at bank closing balance	<u>( 7,389 )</u>	<u>( 7,141 )</u>

**18. ANALYSIS OF CHANGES IN NET DEBT**

	At 1 January 2003 £000	Cashflows £000	At 31 December 2003 £000
Cash at bank from immediate parent undertaking	( 7,141 )	( 248 )	2,983

**HORIZON PROPERTY COMPANY (SCARBOROUGH) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont'd)**

**19. TRANSACTIONS WITH RELATED PARTIES**

Horizon Property Company (Scarborough) Limited is owned by The Governor and Company of the Bank of Scotland incorporated by the Act of Scottish Parliament in 1695 and Scarborough Property Investments Company Limited, which hold 87.5% and 12.5% respectively of the issued share capital. In the year ended 31 December 2003, The Governor and Company of the Bank of Scotland incorporated by the Act of Scottish Parliament in 1695 provided both management and banking services to the company.

During the year, in addition to those transactions disclosed separately in the accounts, the company had the following transactions with related parties: -

Included within operating costs is £23,500 (2002 - £23,500) to Kamcorp Limited in respect of K C McCabe & J L Burnley, and £30,000 (2002 : £30,000) management fee payable to Halifax plc. The closing accrual of £30,000 in respect of this is included within creditors (2002 : £nil).

All other amounts due or payable to related parties are disclosed in the relevant notes.

**20. ULTIMATE PARENT UNDERTAKING**

The company's immediate parent undertaking is The Governor and Company of the Bank of Scotland incorporated by the Act of Scottish Parliament in 1695, with its ultimate parent undertaking being HBOS plc.

Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh, EH1 1YZ.