

MEADOWFIELD DEVELOPMENTS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004



Company Number SC226585

REPORT OF THE DIRECTORS

Directors

J K Cruickshank
I Robertson

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 31 December 2004.

Activity of Business

The Company's principal activity is the ownership and development of land. The Company owns one subsidiary, Meadowfield Investments Limited.

Results and Dividends

The loss after taxation for the year amounted to £1,955 (31 December 2003 – loss of £137,134). The Directors do not propose the payment of a dividend (31 December 2003: £nil.)

Directors and their interests

The Directors at the date of this report are stated above. All Directors served throughout the year.

Directors' beneficial interests 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 other 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:-

	<u>At 31.12.03</u> <u>or date of appointment if later</u>	<u>At 31.12.04</u>
	<u>HBOS plc shares</u>	<u>HBOS plc shares</u>
J. K. Cruickshank	25,529	30,052
I Robertson	19,499	24,324

REPORT OF THE DIRECTORS (continued)

Directors And Their Interests (continued)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.

	<u>Grant effective from</u>	<u>Shares as at 31.12.04</u>
J K Cruickshank	31 March 2003	1,678
	31 March 2004	1,583
I Robertson	31 March 2002	3,108
	31 March 2003	1,664
	31 March 2004	1,603

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 2004.

	<u>Grant effective from</u>	<u>At 31.12.03 or date of appointment if later</u>	<u>Granted (G) or lapsed (L) in year</u>	<u>At 31.12.04</u>
I Robertson	January 2002	13,333	-	13,333
	January 2003	17,708	-	17,708
	January 2004	-	25,104(G)	25,104

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.

REPORT OF THE DIRECTORS (continued)

Directors And Their Interests (continued)Long-term Incentive PlanHBOS 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.

	<u>Options outstanding</u> <u>At 31.12.03 or date</u> <u>of appointment</u>	<u>Granted (G), lapsed</u> <u>(L) or exercised (E)</u> <u>in year</u>	<u>At 31.12.04</u>
J K Cruickshank	11,000	4,000(E)	7,000
I Robertson	63,500	-	63,500

Sharesave Plan

Share options granted under these plans are set out below.

	<u>At 31.12.03</u>	<u>Grant (G) lapsed (L)</u> <u>or exercised (E) in</u> <u>year</u>	<u>At 31.12.04</u>
J. K. Cruickshank	4,231	485(G) 1,356(E)	3,360
I Robertson	1,581	-	1,581

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

Directors And Their Interests (continued)HBOS Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Share Option plan as at 31 December 2004 were as follows:

	<u>At 31.12.03</u>	<u>Grant (G) lapsed (L) or exercised (E) in year</u>	<u>At 31.12.04</u>
J. K. Cruickshank	3,671	1,848(G)	5,519

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

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

16 February 2005

Level 1
Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
Rental income receivable		23,329	14,770
Operating expenses		<u>(27,578)</u>	<u>(217,116)</u>
Operating loss		(4,249)	(202,346)
Interest receivable from ultimate parent undertaking		1,456	1,347
Other income		<u>—</u>	<u>5,093</u>
Loss on ordinary activities before taxation	2	(2,793)	(195,906)
Taxation	3	838	58,772
Loss on ordinary activities after taxation		<u><u>(1,955)</u></u>	<u><u>(137,134)</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 7 and 9 form part of these accounts

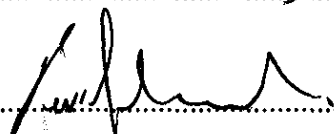
BALANCE SHEET

As at 31 December 2004

	<u>Notes</u>	<u>2004</u> <u>£</u>	<u>2003</u> <u>£</u>
<u>Fixed Assets</u>			
Investment in subsidiary undertaking	4	2	2
<u>Current Assets</u>			
Amounts due from ultimate parent undertaking		—	143,527
Amounts recoverable from subsidiary undertakings		—	27,616
Group tax relief receivable		59,610	58,772
Stock	5	1,258,293	1,114,355
Other Debtors and Accrued Income		12,691	6,080
		<u>1,330,596</u>	<u>1,350,350</u>
<u>Creditors: Amount falling due within one year</u>			
Amounts due to fellow subsidiary undertaking	6	(1,445,084)	(1,486,344)
Other creditors and accruals		<u>(24,851)</u>	<u>(1,392)</u>
		(1,469,935)	(1,487,736)
<u>Net Liabilities</u>		<u>(139,339)</u>	<u>(137,384)</u>
<u>Share Capital and Reserves</u>			
Called up Share Capital	7	100	100
Profit and Loss account		(139,439)	(137,484)
<u>Equity Shareholders' Funds</u>	8	<u>(139,339)</u>	<u>(137,384)</u>

Approved by the Board at a meeting on 16th February 2005 and signed on its behalf by:

.....  Director

.....  Director

The notes on pages 7 to 9 form part of these accounts.

NOTES TO THE ACCOUNTS

For the year to 31 December 2004

1. Accounting policy1.1 Accounting convention

The accounts have been prepared under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards and pronouncements of the Urgent Issues Task Force ("UITF"). Accounting policies are reviewed regularly to ensure they are the most appropriate to the circumstances of the company for the purposes of giving a true and fair view.

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 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the cost of land and capitalised interest. Interest is charged at Bank base rate.

1.3 Interest payable and receivable

Interest receivable and payable is recognised in the profit and loss account on an accruals basis.

2. Loss on ordinary activities before taxation

	<u>2004</u>	<u>2003</u>
	£	£
The loss on ordinary activities before taxation is stated after charging:		
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.

3. Taxation

	<u>2004</u>	<u>2003</u>
	£	£
<u>Current Tax:</u>		
Corporation tax credit for the year at a rate of 30% (2003 30%)	<u>(838)</u>	<u>(58,772)</u>

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 30%

NOTES TO THE ACCOUNTS (continued)

4. Investment in subsidiary undertaking

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
At 1 January and 31 December	<u>2</u>	<u>2</u>

5. Stocks

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
Land	<u>1,258,293</u>	<u>1,114,355</u>

Stocks include interest capitalised of £106,422 (2003 - £44,967). Interest capitalised in the year amounted to £61,455 (2003 - £44,967).

6. Amounts due to fellow subsidiary undertaking

As at 31 December 2004 loan of £1,445,084 (2003: £1,486,344) was due to a fellow subsidiary company of the company's parent company, Horizon Capital 2000 Ltd. Interest is charged at Bank base rate. There is no specific repayment structure in place for the loan.

7. Share Capital

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted, called up and fully paid</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS (continued)

8. Reconciliation of Equity Shareholders' Funds

	<u>2004</u> £	<u>2003</u> £
Loss for the year	(1,955)	(137,134)
Equity Shareholders' Funds at 1 January	(137,384)	(250)
Equity Shareholders' Funds at 31 December	<u>(139,339)</u>	<u>(137,384)</u>

9. 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.

10. 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.

11. Parent undertaking

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

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MEADOWFIELD DEVELOPMENTS LIMITED**

We have audited the accounts on pages 5 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, 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 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 31 December 2004 and of its loss for the year then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

2 March 2005