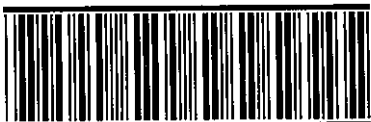


SEPARATOR SHEET

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COMPANIES HOUSE 09/08/95

**REPORT OF THE DIRECTORS
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995**

The company has changed its accounting reference date to 28 February in order to coincide with that of its parent undertaking.

The Directors hereby submit their report and the accounts for the extended accounting period of fourteen months to 28 February 1995.

Results

The Group's profit before taxation for the fourteen month period amounted to £114.3 million (1993:£77.1 million). This includes an estimated £16 million relating to the extended accounting period. Out of the profit attributable to the shareholders of £73.9 million (1993:£56.1 million) the Directors recommend dividends of £57.6 million leaving a balance of £16.3 million to be transferred to reserves.

Principal activity and business review

The principal activity of the Group is banking and financial and related services, including leasing, instalment credit and mortgage facilities.

Details of the current period's business and future developments are given in the Chairman's statement and in the Chief Executive's report.

Property and equipment

Changes in property and equipment during the period are shown in Note 20 to the accounts.

Employees of the group

The Company, by means of its circulars, appraisal system, video and other communications keeps its staff informed of matters concerning them. Regular meetings at branch and departmental level inform staff of new developments, and seek suggestions from them.

Employees participate in the Bank of Scotland Profit Sharing Schemes. The Company has a comprehensive system of incentive and productivity bonuses.

The Company holds frequent and extensive conferences and training courses at which exchanges of views on all aspects affecting the Company take place. Directors pay visits to these and to branches and central departments explaining the Company's role within the Group and the external factors influencing its performance.

The Company continues to give full and fair consideration to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The training, career development and promotion of disabled persons employed by the Company continues to be an integral part of the personnel policy applicable to all employees of the Company.

continued.....

REPORT OF THE DIRECTORS**FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995 (continued)****Directors**

The Directors as at 28 February 1995 and their respective interests in the companies within Bank of Scotland Group were as follows:-

Bank of Scotland Ordinary Stock Units of 25p eachBeneficially owned

	<u>At 1 January 1994</u>	<u>At 28 February 1995</u>
W.G. Barclay	83,794	35,793
I.M. Brown	29,604	13,396
J.S. Brown	112,950	128,705
J.R. Browning	44,549	44,086
P.A. Burt	137,238	142,410
A.R. Christie	14,593*	18,005
W.E. Coppel	24,738	28,123
C.R. Halliwell	3,715*	6,434
N. Lessels	57,100	52,000
R. Littler	20,233	24,781
R.J. Mee	29,120*	51,081
J.A. Mercer	41,930	48,141
Sir Bruce Pattullo	236,566	230,901
Professor J.C. Shaw	77,816	86,851

*At date appointed

Options to subscribe for ordinary stock of Bank of Scotland were granted to or exercised by Directors during the fourteen month period to 28 February 1995 as follows:-

Executive Stock Options

	Options held as at 1.1.94	Options granted	Options exercised	Options held as at 28.2.95	Weighted average exercise price (p)	Market price at date of exercise	Closing weighted average exercise price (p)	Date Options exercisable
								1995 to:
W.G. Barclay	75,000	27,000	-	102,000	-	-	155.92	2004
I.M. Brown	153,407	36,000	-	189,407	-	-	128.36	2004
J.S. Brown	90,489	-	-	90,489	-	-	78.83	1999
J.R. Browning	280,546	60,000	-	340,546	-	-	134.98	2004
P.A. Burt	481,145	90,000	-	571,145	-	-	128.01	2004
A.R. Christie	54,311*	27,000	-	81,311	-	-	157.44	2004
C.R. Halliwell	60,311*	27,000	-	87,311	-	-	153.18	2004
R. Littler	263,111	60,000	113,111	210,000	81.64	184.5p	160.42	2004
R.J. Mee	87,588*	20,000	28,277	79,311	78.49	202.5p	147.60	2004
J.A. Mercer	270,652	75,000	60,326	285,326	76.08	184.5p	147.14	2004
Sir Bruce Pattullo	684,301	120,000	-	804,301	-	-	125.31	2004

* At date appointed

No options lapsed during the period. Options were granted during the period at a price of 201.5p per stock unit. The exercise price for Options granted under the Executive Stock Option Scheme is the market price at the date of grant.

continued.....

**REPORT OF THE DIRECTORS
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995 (continued)**

Directors (continued)

<u>Savings Related Stock Options</u>								
	Options held as at <u>1.1.94</u>	Options <u>granted</u>	Options <u>exercised</u>	Options held as at <u>28.2.95</u>	Weighted average exercise price (p)	Market price at date of exercise	Closing weighted average exercise price (p)	Date Options exercisable 1995 to:
I.M. Brown	13,158	1,851	5,972	9,037	62.53	198p	91.20	2002
J.S. Brown	14,330	1,321	5,323	10,328	51.55	185p	94.67	2002
P.A. Burt	938	-	938	-	96.62	211p	-	-
A.R. Christie	6,521*	935	938	6,518	96.62	211p	120.71	2002
C.R. Halliwell	2,532*	2,644	-	5,176	-	-	146.00	1997 to 2002
R. Littler	-	3,966	-	3,966	-	-	163.60	1999 to 2002

* At date appointed

No options lapsed during the period. Options were granted during the period at a price of 163.6p per stock unit. The exercise price for Options granted under the Savings Related Stock Option Scheme is 80% of the market price at the date of grant.

The market price of the Stock at 28 February 1995 was 203p and the range during the period was 172.5p to 247p.

Full details of the Directors' shareholdings and options are contained in the Register of Directors' Interests which is available for inspection.

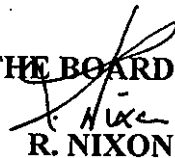
Mr.C.H. Bush was a Director during the period and resigned on 31 March 1994. Messrs. A.R. Christie and C.R. Halliwell were appointed as Directors on 31 March 1994 and Mr.R.J. Mee was appointed as a Director on 30 September 1994.

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

Auditors

The auditors, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD


R. NIXON
Secretary

NWS House
City Road
CHESTER

13 April 1995

DIRECTORS' ACCOUNTING RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Bank and the Group as at the end of the period and of the profit or loss for the period. The Directors consider that in preparing the financial statements on pages 6 to 31 the Bank 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 Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which 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 Group 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 systems of internal financial control, the effectiveness of which they regularly review. These controls are designed to provide reasonable assurance on the accuracy and reliability of the information systems and on the maintenance of proper control over the assets and liabilities of the Group. They are based on the principles of tiered levels of authority for credit approvals and for capital and revenue expenditure. Detailed procedures include budgeting and reporting systems, the appropriate supervision of which is supplemented by periodic internal audits and inspections.

We have audited the accounts on pages 6 to 31 which have been prepared under the historical cost convention as modified by the revaluation of certain properties and investments and on the basis of the stated accounting policies.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

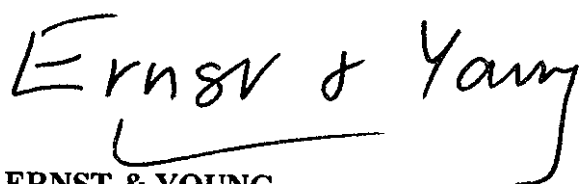
Basis of opinion

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 affairs of the Company and of the Group as at 28 February 1995 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
LIVERPOOL

13 April 1995

**ACCOUNTING POLICIES
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995**

The Group's accounting policies are as follows:

Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention modified by the revaluation of certain properties and investments, in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups and in compliance with the requirements of the Companies Act 1985 (Bank Accounts) Regulations 1991 and applicable Accounting Standards.

The consolidated accounts include audited management accounts made up to 28 February 1995 for those subsidiary undertakings with other accounting reference dates.

Debt securities

Debt securities (and other fixed interest securities) held for the longer term are included at cost less amounts written off and adjusted for the amortisation of premiums or discounts arising on purchase of investments redeemable at fixed dates. Such premiums or discounts are taken to revenue evenly over the period to redemption. Gains or losses on realisation are taken to revenue as they arise.

Equity shares

Equity shares are stated at cost less amounts written off. Income from equity shares is credited to revenue on the ex-dividend date.

Associated undertakings and joint ventures

The attributable share of the results of associated undertakings, based on audited accounts, is included using the equity method of accounting and the Group's share of the results, assets and liabilities of joint ventures is included in the accounts using the method of proportional consolidation.

Shares in associated undertakings are stated in the consolidated balance sheet at the Group's share of their net tangible assets. In the Company's balance sheet, the investments in shares in associated undertakings are stated at cost.

continued.....

ACCOUNTING POLICIES**FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995 (continued)****Finance leases, instalment credit and operating leases**

Income from assets leased to customers, including the release of government grants and leasing earnings equalisation provisions, and from instalment credit agreements is determined by spreading interest charges, after making a deduction for certain initial expenses, over the period of repayment in proportion to the net cash investment.

The earnings element of leasing rentals receivable under those agreements for which related agreements exist with third party finance lessors is credited to interest income on a straight line basis; the related charges element of leasing rentals payable is accounted for on the same basis.

The balance of operating lease rentals receivable during the period not attributed to earnings is applied as depreciation of the relative assets leased to customers.

Adjustments are made to equalise the effects of changes in corporation tax rates and certain tax free lease termination payments and are included in revenue, grossed up at the prevailing corporation tax rate, over the anticipated lives of the leases affected.

The net investment in finance leases is included as amounts receivable in advances and the net obligation under leases with third party finance lessors is included as amounts payable in customer accounts.

Fixed assets which are on hire under operating lease agreements are identified separately.

Provisions for bad and doubtful debts

Specific provisions are made for advances and for amounts receivable under operating lease agreements which are recognised to be bad or doubtful. A general provision, to cover loans and advances which are latently bad or doubtful, but not yet identified as such, is also maintained. Provisions made during the period are charged to revenue, net of recoveries.

Interest, receipt of which is considered to be doubtful, is not credited to revenue when applied to a customer's account but is held in suspense until collection is assured.

Fees and commissions

Arrangement fees and commissions receivable for the continuing service of loans and advances are recognised on the basis of work done and those receivable in respect of bearing risk are recognised over the period of advance or risk exposure. Other fees are recognised when receivable.

continued.....

**ACCOUNTING POLICIES
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995 (continued)**

Tangible fixed assets and depreciation

Freehold properties are revalued on a regular basis. Other tangible fixed assets are stated at cost less amounts written off.

Land is not depreciated. Freehold properties are not depreciated as it is considered that residual values, based upon prices prevailing at the time of acquisition, or subsequent valuation, are such that any charge would not be significant. In addition, it is the policy to maintain properties in a sound state of repair, with regular maintenance expenditure being charged against operating profit.

Improvements to leasehold properties with unexpired lease terms of fifty years or less are depreciated in equal instalments over the lesser of the remaining lives of the leases or ten years. Premiums are amortised over the period of the lease.

Equipment is written off in equal instalments over the expected lives of the assets which are between four and ten years.

Deferred taxation

The charge for taxation takes into account the timing differences in the accounting and taxation treatment of certain items to the extent that they are expected to reverse in the future.

Deferred taxation is provided on the liability method.

Pensions

Pension fund liabilities are assessed by independent professionally qualified actuaries, normally at triennial valuations and at intervening dates if considered necessary. In accordance with the requirements of Statement of Standard Accounting Practice No. 24, pension costs are charged against profits using actuarial valuation methods intended to spread the pension cost evenly over the average service periods of the current employees in the scheme.

Off balance sheet instruments

Interest paid or received in respect of off balance sheet instruments held for hedging purposes is spread over the life of the underlying asset or liability which is subject to the hedge.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995**

	<u>Notes</u>	<u>14 months to 28.2.95 £m</u>	<u>12 months to 31.12.93 £m</u>
Interest receivable			
Interest receivable and similar income arising from debt securities		0.9	1.3
Other interest receivable		<u>532.3</u>	<u>456.0</u>
		533.2	457.3
Interest payable	2	<u>(314.6)</u>	<u>(285.3)</u>
Net interest income		218.6	172.0
Fees and commissions receivable		<u>65.8</u>	<u>51.5</u>
Fees and commissions payable		<u>(17.2)</u>	<u>(10.0)</u>
		48.6	41.5
Other operating income		<u>1.5</u>	<u>0.7</u>
Net operating income		268.7	214.2
Administrative expenses	3	<u>113.0</u>	<u>80.6</u>
Depreciation: Property and equipment	20	<u>8.4</u>	<u>5.9</u>
Provisions for bad and doubtful debts	13	<u>45.4</u>	<u>52.7</u>
Deficit on revaluation of freehold properties		<u>-</u>	<u>8.0</u>
		166.8	147.2
OPERATING PROFIT	4	101.9	67.0
Share of profits of associated undertakings		<u>12.4</u>	<u>10.1</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		114.3	77.1
Tax on profit on ordinary activities	7	<u>40.5</u>	<u>20.7</u>
PROFIT FOR THE FINANCIAL PERIOD		73.8	56.4
Applicable to minority shareholders		<u>(0.1)</u>	<u>0.3</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	8	73.9	56.1
Dividends	9	<u>57.6</u>	<u>15.7</u>
RETAINED PROFIT	30	16.3	40.4

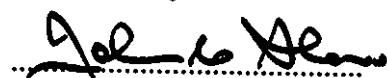
**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE FOURTEEN MONTH PERIOD TO 28 FEBRUARY 1995**

	14 months <u>to 28.2.95</u> <u>£m</u>	12 months <u>to 31.12.93</u> <u>£m</u>
Profit attributable to shareholders	73.9	56.1
Currency translation differences	0.2	0.1
Total recognised gains and losses for the financial period	<u>74.1</u>	<u>56.2</u>

CONSOLIDATED BALANCE SHEET AS AT 28 FEBRUARY 1995

	Notes	28 February 1995		31 December 1993	
		£m	£m	£m	£m
Assets					
Cash and balances at central banks			0.1		0.1
Loans and advances to banks	10,11		107.2		137.3
Loans and advances to customers	12		4,592.8		4,065.8
Debt securities	15		10.8		11.3
Equity shares	16		0.3		0.3
Shares in associated undertakings	17		6.4		7.7
Tangible fixed assets					
Operating lease assets	19	140.5		138.3	
Property and equipment	20	54.3		45.1	
			194.8		183.4
Other assets	21		31.1		29.3
Prepayments and accrued income			15.7		14.6
Total assets			4,959.2		4,449.8
Liabilities					
Deposits by banks	22		2,256.8		1,978.0
Customer accounts	23		1,691.5		1,523.7
Debt securities in issue	24		51.4		79.4
Other liabilities	25		178.8		123.1
Accruals and deferred income	26		185.7		177.9
Provisions for liabilities and charges					
Deferred taxation	27		179.5		168.4
			4,543.7		4,050.5
Capital resources					
Subordinated liabilities					
Dated loan capital	28	66.0		66.0	
Undated loan capital	28	55.0		55.0	
			121.0		121.0
Called up share capital	29	56.4		56.4	
Share premium account		2.6		2.6	
Profit and loss account	30	235.3		218.8	
Shareholders' funds	31		294.3		277.8
Equity		274.3		257.8	
Non-equity		20.0		20.0	
Minority interests - equity			0.2		0.5
			415.5		399.3
			4,959.2		4,449.8
MEMORANDUM ITEMS					
Commitments	32		513.2		540.6

Approved by the Board of Directors on 13 April 1995 and signed on its behalf by

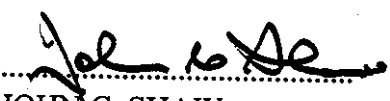

 JOHN C. SHAW


 JOHN A. MERCER

BALANCE SHEET AS AT 28 FEBRUARY 1995

	Notes	28 February 1995		31 December 1993	
		£m	£m	£m	£m
Assets					
Cash and balances at central banks			0.1		0.1
Loans and advances to banks	10,11		13.3		25.4
Loans and advances to customers	12		4,347.0		3,808.1
Debt securities	15		2.2		2.2
Shares in associated undertakings	17		5.4		5.4
Shares in subsidiary undertakings	18		30.1		28.8
Tangible fixed assets					
Property and equipment	20		46.7		37.5
Other assets	21		71.0		47.8
Prepayments and accrued income			10.6		10.6
Total assets			4,526.4		3,965.9
Liabilities					
Deposits by banks	22		2,237.3		1,950.5
Customer accounts	23		1,692.2		1,508.0
Other liabilities	25		97.8		44.4
Accruals and deferred income	26		123.4		112.6
Provisions for liabilities and charges					
Deferred taxation	27		5.2		4.1
			4,155.9		3,619.6
Capital resources					
Subordinated liabilities					
Dated loan capital	28		66.0		66.0
Undated loan capital	28		55.0		55.0
			121.0		121.0
Called up share capital	29		56.4		56.4
Share premium account			2.6		2.6
Profit and loss account	30		190.5		166.3
Shareholders' funds			249.5		225.3
Equity			229.5		205.3
Non-equity			20.0		20.0
			370.5		346.3
			4,526.4		3,965.9
MEMORANDUM ITEMS					
Commitments	32		116.2		95.8

Approved by the Board of Directors on 13 April 1995 and signed on its behalf by


JOHN C. SHAW


JOHN A. MERCER

NOTES ON THE ACCOUNTS

1. SEGMENTAL ANALYSIS

The Directors are of the opinion that the Group operates, to a material extent, in one class of business being banking and related services in the United Kingdom and the Republic of Ireland.

2. INTEREST PAYABLE

Interest payable includes £9.2 million (1993:£8.7million) in respect of interest on the subordinated loan capital.

3. ADMINISTRATIVE EXPENSES

	14 months to 28.2.95 £m	12 months to 31.12.93 £m
Staff costs		
Salaries	59.5	41.8
Social Security costs	4.3	3.2
Other pension costs (note 6)	2.8	2.3
	<u>66.6</u>	<u>47.3</u>
Other administration expenses	46.4	33.3
	<u>113.0</u>	<u>80.6</u>

Allocations were made to staff profit sharing schemes amounting to £4.7 million (1993: £1.8 million).

The average number of persons employed by the Group during the period were:

	14 months to 28.2.95	12 months to 31.12.93
Full time	2,833	2,654
Part time	236	213
	<u>3,069</u>	<u>2,867</u>

4. OPERATING PROFIT

	14 months to 28.2.95 £m	12 months to 31.12.93 £m
Group operating profit is all from continuing operations and is stated after crediting:		
Finance lease rentals	399.1	330.3
Operating lease rentals	66.8	63.0
Hire purchase rentals	542.1	467.4
Government grants	0.4	0.9
Leasing earnings equalisation	2.4	8.0
Income from listed investments - debt securities	<u>0.7</u>	<u>1.1</u>

and after charging:

Depreciation of operating lease assets	46.0	43.9
Operating lease charges - land and buildings	4.0	3.8
Emoluments of directors (note 5)	1.8	1.3
Auditors' remuneration - audit	0.3	0.3
- other	<u>0.1</u>	<u>0.1</u>

NOTES ON THE ACCOUNTS (continued)

5. EMOLUMENTS OF DIRECTORS

The aggregate emoluments of the Directors of the Company amounted to £1,752,835 (1993:£1,314,049) and included fees of £34,417 (1993:£29,059).

The emoluments of the Chairman were £27,650 (1993:£23,308) and the emoluments of the highest paid Director were £236,525 (1993:£268,987), including a performance related bonus of £32,500 (1993: £50,000), both exclusive of pension contributions.

Thirteen Directors waived their rights to fees amounting in aggregate to £75,400 (1993:Ten £57,510).

The number of Directors whose emoluments, excluding pension contributions, fell within the following ranges was:

	14 months to <u>28.2.95</u>	12 months to <u>31.12.93</u>
Up to £5,000	3	3
£ 5,001 - £ 10,000	1	1
£ 20,001 - £ 25,000	-	1
£ 25,001 - £ 30,000	1	-
£ 70,001 - £ 75,000	1	-
£110,001 - £115,000	1	-
£120,001 - £125,000	1	-
£140,001 - £145,000	-	1
£145,001 - £150,000	-	2
£160,001 - £165,000	2	-
£165,001 - £170,000	-	1
£170,001 - £175,000	1	-
£180,001 - £185,000	-	2
£185,001 - £190,000	2	-
£215,001 - £220,000	1	-
£235,001 - £240,000	1	-
£265,001 - £270,000	-	1

6. PENSION COSTS

The company operates a funded defined benefit pension scheme.

The pension funding cost is assessed in accordance with the advice of qualified actuaries using the Projected Unit valuation method.

The most recent actuarial valuation of the scheme was completed as at 5 April 1992 at which date the market value of the scheme assets was £45.2 million.

The principal assumptions used in the valuation were an annual rate of return on investments 2% higher than the annual increase in salaries and 4% higher than the annual increase in pensions in payment, and a growth in equity dividends of 4½% per annum.

The actuarial value of the assets was sufficient to cover 115% of members' accrued benefits. The Company is taking credit for the surplus within the pension fund by making reduced contributions over the next thirteen years which is the expected remaining average service life of current employees in the scheme.

NOTES ON THE ACCOUNTS (continued)

7. TAXATION

	14 months to 28.2.95	12 months to 31.12.93
	£m	£m
Corporation tax	23.9	17.6
Notional tax on leasing earnings equalisation	0.8	2.6
Notional tax on government grants	0.1	0.3
Transfer to leasing earnings equalisation	0.6	4.2
Transfer to/(from) deferred taxation	11.1	(7.8)
	<u>36.5</u>	<u>16.9</u>
Associated undertakings	4.0	3.8
	<u>40.5</u>	<u>20.7</u>

The tax charge for the period is based on a corporation tax rate of 33% (1993:33%).

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to Shareholders £81.8 m(1993:£49.4m) has been dealt with in the accounts of NWS BANK plc. The exemption in respect of the publication of the Company's profit and loss account conferred by S230, Companies Act 1985 applies to NWS BANK plc.

9. DIVIDENDS

	14 months to 28.2.95	12 months to 31.12.93
	£m	£m
Preference dividend: paid	1.0	1.0
: payable	1.2	0.9
	<u>2.2</u>	<u>1.9</u>
Ordinary dividend: paid	7.4	-
: proposed	48.0	13.8
	<u>55.4</u>	<u>13.8</u>
	<u>57.6</u>	<u>15.7</u>

10. LIQUIDITY

Bank of Scotland Treasury Services PLC, a wholly-owned subsidiary of the Governor and Company of the Bank of Scotland, holds, with the agreement of the supervisory authority, primary liquid assets sufficient for all the United Kingdom banking entities in the Bank of Scotland Group. Bank of Scotland has provided NWS BANK plc with a committed standby facility amounting to £200 million, which remains undrawn.

NOTES ON THE ACCOUNTS (continued)

11. LOANS AND ADVANCES TO BANKS

	Group		Company	
	28.2.95	31.12.93	28.2.95	31.12.93
	£m	£m	£m	£m
Repayable:				
On demand - Central banks	14.9	13.9	12.4	11.3
- Others	2.6	17.4	0.5	13.6
Within three months	28.0	10.2	-	-
Between three months and one year	3.4	30.9	0.1	0.1
Between one and five years	5.6	9.3	0.3	0.4
After five years	52.7	55.6	-	-
	<u>107.2</u>	<u>137.3</u>	<u>13.3</u>	<u>25.4</u>

Amounts include:

Net investment in finance leases	62.3	105.9	0.4	0.5
Balances with ultimate parent undertaking	1.9	9.7	-	12.8

12. LOANS AND ADVANCES TO CUSTOMERS

	Group		Company	
	28.2.95	31.12.93	28.2.95	31.12.93
	£m	£m	£m	£m
Repayable:				
On demand	683.3	365.4	2,461.4	322.5
Within three months	284.1	391.7	193.4	444.6
Between three months and one year	835.9	695.1	522.3	661.7
Between one and five years	1,269.0	1,173.9	805.5	1,096.4
After five years	1,645.4	1,551.2	396.9	1,319.3
	<u>4,717.7</u>	<u>4,177.3</u>	<u>4,379.5</u>	<u>3,844.5</u>
Provisions (note 13)	(105.2)	(98.6)	(32.5)	(36.0)
Interest in suspense (note 14)	(19.7)	(12.9)	-	(0.4)
	<u>4,592.8</u>	<u>4,065.8</u>	<u>4,347.0</u>	<u>3,808.1</u>

Amounts include, net of provisions:

Net investment in				
- Finance leases	1,624.0	1,544.3	85.7	128.3
- Hire purchase contracts	921.2	758.6	871.7	724.1
Advances to associated undertakings	193.0	178.1	383.4	328.2
Advances to subsidiary undertakings	-	-	2,520.7	2,224.7

Of advances to subsidiary undertakings £1,853m is repayable on demand. However, as each subsidiary is an integral part of the NWS Group's activities, NWS BANK plc has indicated its intention to continue to provide sufficient finance to enable them to continue trading for at least one year from the date of approval of the relevant accounts.

Included in net investment in finance leases are amounts receivable of £53.6m (1993:£102.9m) for the Group and Company for which related leases exist with third party finance lessors.

continued.....

NOTES ON THE ACCOUNTS (continued)

12. LOANS AND ADVANCES TO CUSTOMERS (continued)

The cost of equipment acquired during the period for the purpose of finance leasing was:-

Group		Company	
14 months to 28.2.95	12 months to 31.12.93	14 months to 28.2.95	12 months to 31.12.93
£m	£m	£m	£m
479.8	222.6	16.6	13.3

At the balance sheet date future commitments for finance lease assets were as follows:-

Group		Company	
28.2.95	31.12.93	28.2.95	31.12.93
£m	£m	£m	£m

Contracted but not provided in the accounts

199.2	144.0	-	6.4
-------	-------	---	-----

Included in Group loans and advances to customers are housing loans to eight (1993:four) Directors of the Company which have been made in accordance with the terms of the Company's staff mortgage scheme and which amount to £784,873 (1993:£168,848).

Concentrations of exposure, net of provisions:

	Group		Company	
	28.2.95 £m	31.12.93 £m	28.2.95 £m	31.12.93 £m
Business and other services	832.0	670.1	340.7	302.3
Financial	190.2	309.1	50.2	42.6
Garages, distribution, hotels and catering	652.4	556.7	49.3	40.8
Manufacturing Industry	621.4	468.0	239.4	176.7
Transport	188.7	190.1	39.4	23.0
Other commercial and agriculture	223.9	88.7	60.3	47.5
	2,708.6	2,282.7	779.3	632.9
Individuals:				
Home mortgages	556.4	501.5	-	-
Other personal lending	1,134.8	1,103.5	663.6	622.3
	1,691.2	1,605.0	663.6	622.3
Associated undertakings	193.0	178.1	383.4	328.2
Subsidiary undertakings	-	-	2,520.7	2,224.7
	4,592.8	4,065.8	4,347.0	3,808.1

NOTES ON THE ACCOUNTS (continued)

13. PROVISIONS FOR BAD AND DOUBTFUL DEBTS

Group	28.2.95			31.12.93		
	Specific £m	General £m	Total £m	Specific £m	General £m	Total £m
Opening balance	76.8	22.9	99.7	81.0	23.4	104.4
Exchange adjustments	0.4	-	0.4	(1.2)	-	(1.2)
Subsidiary acquired	-	-	-	0.2	-	0.2
Subsidiary disposed	-	-	-	(0.3)	(0.1)	(0.4)
Amounts written off	(43.9)	-	(43.9)	(60.8)	-	(60.8)
New provisions less releases	45.4	5.6	51.0	57.9	(0.4)	57.5
Closing balance	<u>78.7</u>	<u>28.5</u>	<u>107.2</u>	<u>76.8</u>	<u>22.9</u>	<u>99.7</u>

Provided against:

Loans and advances to customers	105.2	98.6
Operating leases	2.0	1.1
	<u>107.2</u>	<u>99.7</u>

New provisions less releases	45.4	5.6	51.0	57.9	(0.4)	57.5
Recoveries of amounts previously written off	(5.6)	-	(5.6)	(4.8)	-	(4.8)
Net charge to revenue	<u>39.8</u>	<u>5.6</u>	<u>45.4</u>	<u>53.1</u>	<u>(0.4)</u>	<u>52.7</u>

Company	28.2.95			31.12.93		
	Specific £m	General £m	Total £m	Specific £m	General £m	Total £m
Opening balance	25.9	10.1	36.0	34.4	10.4	44.8
Amounts written off	(22.4)	-	(22.4)	(26.8)	-	(26.8)
New provisions less releases	17.1	1.8	18.9	18.3	(0.3)	18.0
Closing balance	<u>20.6</u>	<u>11.9</u>	<u>32.5</u>	<u>25.9</u>	<u>10.1</u>	<u>36.0</u>

Provided against:

Loans and advances to customers		<u>32.5</u>		<u>36.0</u>		
New provisions less releases	17.1	1.8	18.9	18.3	(0.3)	18.0
Recoveries of amounts previously written off	(3.9)	-	(3.9)	(3.3)	-	(3.3)
Net charge to revenue	<u>13.2</u>	<u>1.8</u>	<u>15.0</u>	<u>15.0</u>	<u>(0.3)</u>	<u>14.7</u>

NOTES ON THE ACCOUNTS (continued)

14. INTEREST IN SUSPENSE

Interest, receipt of which is considered to be doubtful, is not credited to revenue when applied to a customer's account but is held in suspense until collection is assured. The aggregate amount of interest held in suspense and the movements therein are shown below:

	Group £m	Company £m
At 1 January 1994	12.9	0.4
Interest placed in suspense in the period	8.9	-
Interest recovered	(0.2)	-
Amounts written off	(1.9)	(0.4)
At 28 February 1995	<u>19.7</u>	<u>-</u>

The aggregate amount of gross advances at 28 February 1995 on which interest is being held in suspense amounts to £99.9m for the Group (1993:£90.8m) and £Nil for the Company (1993:£3.7m). The aggregate advances, net of specific provisions, amount to £36.6m for the Group (1993:£43.8m) and £Nil for the Company (1993:£1.2m).

15. DEBT SECURITIES

	28.2.95		31.12.93	
	Book value £m	Market value £m	Book value £m	Market value £m
Investment securities				
Group				
Issued by public bodies				
Government securities	8.6	8.6	9.1	9.1
Group and Company				
Issued by others				
Associated companies (subordinated)	<u>2.2</u> <u>10.8</u>	<u>2.2</u> <u>10.8</u>	<u>2.2</u> <u>11.3</u>	<u>2.2</u> <u>11.3</u>
Debt securities mature:				
Within one year	3.5		9.1	
In more than one year	<u>7.3</u> <u>10.8</u>		<u>2.2</u> <u>11.3</u>	
Analysis by listing status:				
Listed on a recognised UK exchange	-		-	
Listed elsewhere	8.6		9.1	
Unlisted	<u>2.2</u> <u>10.8</u>		<u>2.2</u> <u>11.3</u>	

continued.....

NOTES ON THE ACCOUNTS (continued)

15. DEBT SECURITIES (continued)

The movement on debt securities held for investment purposes is as follows:-

	Group			Company		
	Issued by public bodies £m	Issued by others £m	Total £m	Issued by public bodies £m	Issued by others £m	Total £m
Cost:						
At 1 January 1994	9.1	2.2	11.3	-	2.2	2.2
Exchange adjustments	0.4	-	0.4	-	-	-
Additions	5.1	-	5.1	-	-	-
Disposals	(6.0)	-	(6.0)	-	-	-
At 28 February 1995	<u>8.6</u>	<u>2.2</u>	<u>10.8</u>	<u>-</u>	<u>2.2</u>	<u>2.2</u>
Net book values:						
At 28 February 1995	<u>8.6</u>	<u>2.2</u>	<u>10.8</u>	<u>-</u>	<u>2.2</u>	<u>2.2</u>
At 1 January 1994	<u>9.1</u>	<u>2.2</u>	<u>11.3</u>	<u>-</u>	<u>2.2</u>	<u>2.2</u>

No provisions were necessary at 1 January 1994 or at 28 February 1995.

16. EQUITY SHARES

	28.2.95		31.12.93	
	Book value £m	Market value £m	Book value £m	Market value £m
Group				
Investment securities - unlisted	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>

Unlisted investments have been valued by the Directors.

NOTES ON THE ACCOUNTS (continued)

17. SHARES IN ASSOCIATED UNDERTAKINGS

	Group		Company	
	<u>Cost</u>	<u>Equity accounting adjustment</u>	<u>Book value</u>	<u>Cost and book value</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
At 1 January 1994	7.4	0.3	7.7	5.4
Exchange adjustments	0.1	-	0.1	-
Amount written off	(0.8)	-	(0.8)	-
Retained profits	-	(0.6)	(0.6)	-
At 28 February 1995	<u>6.7</u>	<u>(0.3)</u>	<u>6.4</u>	<u>5.4</u>

Advances to associated undertakings are included in loans and advances to customers (note 12) and debt securities (note 15). The Group's share of the finance debtors of associated undertakings is £427.1m (1993:£400.2m).

Details of the principal associated undertakings, all of which are unlisted, are shown on page 31.

18. SHARES IN SUBSIDIARY UNDERTAKINGS

	<u>Banks</u>	<u>Others</u>	<u>Total</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Cost			
At 1 January 1994	19.1	25.8	44.9
Additional capital subscribed	1.0	0.3	1.3
At 28 February 1995	<u>20.1</u>	<u>26.1</u>	<u>46.2</u>
Amounts written off			
At 1 January 1994 and at 28 February 1995	16.1	-	16.1
Net book value at 28 February 1995	<u>4.0</u>	<u>26.1</u>	<u>30.1</u>
Net book value at 1 January 1994	<u>3.0</u>	<u>25.8</u>	<u>28.8</u>

Details of the principal subsidiary undertakings, all of which are unlisted, are shown on page 30.

NOTES ON THE ACCOUNTS (continued)

19. OPERATING LEASE ASSETS

	Group £m
Cost	
At 1 January 1994	203.5
Additions	81.3
Disposals	(81.6)
At 28 February 1995	<u>203.2</u>
Less: Depreciation	
At 1 January 1994	64.1
Disposals	(49.4)
Charge for period	46.0
At 28 February 1995	<u>60.7</u>
	142.5
Provisions (note 13)	(2.0)
Net book value at 28 February 1995	<u>140.5</u>
Net book value at 1 January 1994	<u>138.3</u>

At the balance sheet date authorised expenditure for operating lease assets was £63.2m (1993:£20.1m.).

20. PROPERTY AND EQUIPMENT

Group	Land and buildings		Assets in the course of construction	Equipment	Total
	Freehold	Short leasehold			
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 January 1994	22.2	6.3	-	43.3	71.8
Additions	1.0	2.1	0.5	17.7	21.3
Disposals	(0.2)	(0.9)	-	(6.3)	(7.4)
At 28 February 1995	<u>23.0</u>	<u>7.5</u>	<u>0.5</u>	<u>54.7</u>	<u>85.7</u>
Depreciation					
At 1 January 1994		2.6		24.1	26.7
Disposals		(0.5)		(3.2)	(3.7)
Charge for period		0.7		7.7	8.4
At 28 February 1995		<u>2.8</u>		<u>28.6</u>	<u>31.4</u>
Net book values:					
At 28 February 1995	<u>23.0</u>	<u>4.7</u>	<u>0.5</u>	<u>26.1</u>	<u>54.3</u>
At 1 January 1994	<u>22.2</u>	<u>3.7</u>	<u>-</u>	<u>19.2</u>	<u>45.1</u>

continued.....

NOTES ON THE ACCOUNTS (continued)

20. PROPERTY AND EQUIPMENT (continued)

Company	Land and buildings		Assets in the course of construction	Equipment	Total
	Freehold	Short leasehold			
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 January 1994	15.7	5.6	-	41.6	62.9
Additions	1.0	2.1	0.5	17.3	20.9
Disposals	(0.2)	(0.6)	-	(6.0)	(6.8)
At 28 February 1995	<u>16.5</u>	<u>7.1</u>	<u>0.5</u>	<u>52.9</u>	<u>77.0</u>
Depreciation					
At 1 January 1994		2.2		23.2	25.4
Disposals		(0.3)		(2.9)	(3.2)
Charge for period		0.7		7.4	8.1
At 28 February 1995		<u>2.6</u>		<u>27.7</u>	<u>30.3</u>
Net book values:					
At 28 February 1995	<u>16.5</u>	<u>4.5</u>	<u>0.5</u>	<u>25.2</u>	<u>46.7</u>
At 1 January 1994	<u>15.7</u>	<u>3.4</u>	<u>-</u>	<u>18.4</u>	<u>37.5</u>

Cost or valuation of property comprises:

	Group				Company			
	Freehold		Short leasehold		Freehold		Short leasehold	
	28.2.95	31.12.93	28.2.95	31.12.93	28.2.95	31.12.93	28.2.95	31.12.93
	£m	£m	£m	£m	£m	£m	£m	£m
At valuation	22.0	22.2	-	-	15.5	15.7	-	-
At cost	1.0	-	7.5	6.3	1.0	-	7.1	5.6
	<u>23.0</u>	<u>22.2</u>	<u>7.5</u>	<u>6.3</u>	<u>16.5</u>	<u>15.7</u>	<u>7.1</u>	<u>5.6</u>

On the historical cost basis, land and buildings would have been included as follows:

	Group				Company			
	Freehold		Short leasehold		Freehold		Short leasehold	
	28.2.95	31.12.93	28.2.95	31.12.93	28.2.95	31.12.93	28.2.95	31.12.93
	£m	£m	£m	£m	£m	£m	£m	£m
Cost	31.0	30.4	7.5	6.3	19.9	19.4	7.1	5.6
Accumulated depreciation	-	-	(2.8)	(2.4)	-	-	(2.6)	(2.2)
Net book value	<u>31.0</u>	<u>30.4</u>	<u>4.7</u>	<u>3.9</u>	<u>19.9</u>	<u>19.4</u>	<u>4.5</u>	<u>3.4</u>

continued.....

NOTES ON THE ACCOUNTS (continued)

20. PROPERTY AND EQUIPMENT (continued)

The land and buildings are occupied by the Group for its own activities.

The property valuations in 1993, on an open market value basis, were carried out by independent professional valuers.

There are capital commitments as follows:

Group and Company

	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>
Contracted but not provided in the accounts	2.7	1.5
Authorised by the Board but not contracted	<u>0.7</u>	<u>6.1</u>
	<u>3.4</u>	<u>7.6</u>

21. OTHER ASSETS

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Amounts owed by:				
Associated undertakings	8.8	6.5	8.8	6.3
Subsidiary undertakings	-	-	53.5	29.8
Trade debtors	18.5	19.6	7.1	10.0
Other	<u>3.8</u>	<u>3.2</u>	<u>1.6</u>	<u>1.7</u>
	<u>31.1</u>	<u>29.3</u>	<u>71.0</u>	<u>47.8</u>

22. DEPOSITS BY BANKS

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Repayable:				
On demand	0.6	2.0	9.9	-
Within three months	759.4	883.5	736.3	864.3
Between three months and one year	593.8	629.5	590.1	627.6
Between one and five years	818.6	433.1	816.6	429.3
After five years	<u>84.4</u>	<u>29.9</u>	<u>84.4</u>	<u>29.3</u>
	<u>2,256.8</u>	<u>1,978.0</u>	<u>2,237.3</u>	<u>1,950.5</u>
Amounts include:				
Due to ultimate parent undertaking	-	-	9.9	-
Due to a fellow subsidiary undertaking - Bank of Scotland Treasury Services PLC	<u>2,226.2</u>	<u>1,946.8</u>	<u>2,223.1</u>	<u>1,942.2</u>

NOTES ON THE ACCOUNTS (continued)

23. CUSTOMER ACCOUNTS

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Repayable:				
On demand	6.4	3.2	1.1	0.5
Within three months	1,262.7	1,261.7	1,285.1	1,254.9
Between three months and one year	381.6	191.5	365.5	186.8
Between one and five years	40.8	67.2	40.5	65.7
After five years	-	0.1	-	0.1
	<u>1,691.5</u>	<u>1,523.7</u>	<u>1,692.2</u>	<u>1,508.0</u>
Amounts include:				
Due to subsidiary undertakings	-	-	53.5	-

24. DEBTS SECURITIES IN ISSUE

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Other debt securities				
Repayable within three months	<u>51.4</u>	<u>79.4</u>	-	-

25. OTHER LIABILITIES

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Leasing earnings equalisation	6.7	7.7	-	-
Government grants	-	0.3	-	-
Corporation tax due within one year	66.7	56.5	10.0	9.7
Dividends payable	49.2	14.7	49.2	14.7
Trade creditors	56.2	43.9	38.6	20.0
	<u>178.8</u>	<u>123.1</u>	<u>97.8</u>	<u>44.4</u>

26. ACCRUALS AND DEFERRED INCOME

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Interest payable	91.0	78.7	90.3	78.5
Other accruals	94.7	99.2	33.1	34.1
	<u>185.7</u>	<u>177.9</u>	<u>123.4</u>	<u>112.6</u>

NOTES ON THE ACCOUNTS (continued)

27. DEFERRED TAXATION

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Provided in the accounts:				
Short term timing differences	(7.4)	(6.5)	(0.5)	(0.3)
Capital allowances				
On assets leased to customers	184.7	173.2	3.5	2.7
On other assets	2.2	1.7	2.2	1.7
	<u>179.5</u>	<u>168.4</u>	<u>5.2</u>	<u>4.1</u>
At 1 January 1994	168.4		4.1	
Arising during the period	11.1		1.1	
At 28 February 1995	<u>179.5</u>		<u>5.2</u>	
Not provided in the accounts:				
Capital allowances				
On assets leased to customers	49.9	49.1	1.3	1.6
On other assets	0.5	0.5	0.5	0.5
	<u>50.4</u>	<u>49.6</u>	<u>1.8</u>	<u>2.1</u>

28. LOAN CAPITAL

Loan capital comprises floating rate loans from Bank of Scotland which are subordinated to the claims of creditors and which are repayable as follows:

	Group and Company	
	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>
31 December 2001 or later	66.0	66.0
Perpetual loans	55.0	55.0
	<u>121.0</u>	<u>121.0</u>

29. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Ordinary shares of £1 each	50.0	50.0	36.4	36.4
Irredeemable preference shares of £1 each	20.0	20.0	20.0	20.0
	<u>70.0</u>	<u>70.0</u>	<u>56.4</u>	<u>56.4</u>

The preference shares carry a dividend of 9.375% per annum, payable half yearly in arrears on 31 March and 30 September. The dividend rights are non-cumulative.

continued.....

NOTES ON THE ACCOUNTS (continued)**29. SHARE CAPITAL (continued)**

The preference shares carry no votes at meetings unless the most recent half-yearly dividend due thereon remains unpaid at the date of the meeting or the business of the meeting includes a resolution for the winding up of the company or the varying, altering or abrogating any of the rights, privileges, limitations or restrictions attaching to the preference shares, in which event each holder will be entitled to one vote on a show of hands or one vote per share on a poll.

On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

30. RESERVES

	<u>Group</u>	<u>Associated</u>	<u>Total</u>	<u>Company</u>
	<u>£m</u>	<u>undertakings</u>	<u>£m</u>	<u>£m</u>
		<u>£m</u>		
Profit and loss account				
At 1 January 1994	218.5	0.3	218.8	166.3
Currency translation differences	0.2	-	0.2	-
Retained profit for the period	16.9	(0.6)	16.3	24.2
At 28 February 1995	<u>235.6</u>	<u>(0.3)</u>	<u>235.3</u>	<u>190.5</u>

The cumulative amount of goodwill on acquisitions written off in the Group reserves is £1.9m (1993:£1.9m).

31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	14 months to 28.2.95	12 months to 31.12.93
	<u>£m</u>	<u>£m</u>
Profit attributable to shareholders	73.9	56.1
Dividends	(57.6)	(15.7)
Other recognised gains and losses	0.2	0.1
	<u>16.5</u>	<u>40.5</u>
Shareholders' funds brought forward	277.8	237.3
Shareholders' funds carried forward	<u>294.3</u>	<u>277.8</u>

32. MEMORANDUM ITEMS**Contingent liabilities**

No contingent liabilities exist for either Group or Company at 28 February 1995 (1993:£NIL).

Commitments

The contract amounts noted below indicate the volume of business outstanding at the balance sheet date in respect of commitments undertaken for customers. They do not reflect the underlying credit or other risks.

continued.....

NOTES ON THE ACCOUNTS (continued)

32. MEMORANDUM ITEMS (continued)

Commitments (continued)

	Group		Company	
	<u>Contract amount</u>		<u>Contract amount</u>	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Other commitments:				
Short term trade related transactions	-	11.5	-	11.1
Undrawn formal standby facilities, credit lines and other irrevocable commitments to lend				
one year and over	33.9	247.1	-	36.2
less than one year	479.3	282.0	116.2	48.5
	<u>513.2</u>	<u>540.6</u>	<u>116.2</u>	<u>95.8</u>

There are commitments to make payments in the following year in respect of non-cancellable operating leases for property which expire:-

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Within one year	0.1	-	-	-
Between one and five years	0.4	0.4	0.4	0.3
In over five years	3.5	3.5	3.3	3.2
	<u>4.0</u>	<u>3.9</u>	<u>3.7</u>	<u>3.5</u>

The majority of leases of land and buildings are subject to rent reviews.

33. EXCHANGE RATE AND INTEREST RATE CONTRACTS

	Group		Company	
	<u>28.2.95</u>	<u>31.12.93</u>	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Exchange rate contracts for hedging purposes:				
Contract or notional principal amount	43.5	-	-	-
Credit risk weighted amount	-	-	-	-
Replacement cost	1.1	-	-	-
Interest rate contracts for hedging purposes:				
Contract or notional principal amount	1,140.6	1,955.3	1,116.9	1,955.3
Credit risk weighted amount	3.3	4.5	3.3	4.5
Replacement cost	<u>11.5</u>	<u>15.2</u>	<u>11.5</u>	<u>15.2</u>

NOTES ON THE ACCOUNTS (continued)

34. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The aggregate amounts of assets and liabilities denominated in foreign currencies were as follows:-

	Group	
	<u>28.2.95</u>	<u>31.12.93</u>
	<u>£m</u>	<u>£m</u>
Assets	123.5	83.8
Liabilities	<u>168.2</u>	<u>83.7</u>

35. PARENT UNDERTAKING

The ultimate parent undertaking is the Governor and Company of the Bank of Scotland constituted by Act of the Scottish Parliament in 1695. Bank of Scotland has included a consolidated statement of cash flows in its consolidated accounts and, as a wholly owned subsidiary undertaking, the company is exempt from including a statement of cash flows in its accounts. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh.

**SUBSIDIARY AND ASSOCIATED UNDERTAKINGS
AS AT 28 FEBRUARY 1995**

PRINCIPAL OPERATING SUBSIDIARY UNDERTAKINGS	Percentage of equity capital and voting rights held by NWS BANK plc	Principal activity	Accounting reference date
Capital Incentives plc	100	Promotional incentives	28 February
Godfrey Davis (Contract Hire) Limited	100	Contract hire	28 February
Equity Bank Limited	100	Banking	28 February
* Flexifly Limited	100	Leasing	28 February
* Glosstrips Limited	100	Leasing	28 February
IBOS Finance Limited	100	Leasing	31 December
IBOS Meadowhall Investments Limited	100	Property investment	30 September
International Motors Finance Limited	51	Finance	28 February
Membership Services Finance plc	75	Finance	28 February
NWS Agencies Limited	100	Treasury services	28 February
NWS Property Investments Limited	100	Property investment	31 December
NWS Property Investments (3) Limited	100	Property investment	31 March
* NWS Trust Limited	100	Finance	28 February
NWS 1 Limited	100	Leasing	31 January
NWS 2 Limited	100	Leasing	28 February
NWS 3 Limited	100	Leasing	31 March
NWS 4 Limited	100	Leasing	30 April
NWS 5 Limited	100	Leasing	31 May
NWS 6 Limited	100	Leasing	30 June
NWS 7 Limited	100	Leasing	31 July
* NWS 8 Limited	100	Leasing	31 August
NWS 9 Limited	100	Leasing	30 September
NWS 10 Limited	100	Leasing	31 October
NWS 11 Limited	100	Leasing	30 November
* NWS 12 Limited	100	Leasing	31 December
* Seaforth Maritime (Highlander) Limited	100	Leasing	28 February
* Seaforth Maritime (Jarl) Limited	100	Leasing	28 February
The Mortgage Business plc	100	Mortgage loans	28 February
Tower Hill Property Investments (1) Limited	90	Property investment	31 January
Tower Hill Property Investments (7) Limited	90	Property investment	31 July
Tower Hill Property Investments (10) Limited	90	Property investment	31 October

NWS BANK plc and each of the above subsidiary undertakings are registered in England and Wales with the exception of Equity Bank Limited which is incorporated in the Republic of Ireland and those marked * which are registered in Scotland.

continued.....

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS
AS AT 28 FEBRUARY 1995 (continued)

ASSOCIATED UNDERTAKINGS	Percentage of equity capital and voting rights held by <u>NWS BANK plc</u>	Accounting reference <u>date</u>
Automobile Association Financial Services Limited	50	31 December
First Retail Finance Limited	50	31 January
Leeds Permanent Financial Services Limited	50	30 September
* NFU Mutual Finance Limited	54	31 December
* Owen Owen Finance Limited	50	31 December
* Renault Financial Services Limited	50	31 December
Ruby Aircraft Leasing and Trading Limited	20	31 March
Sapphire Aircraft Leasing and Trading Limited	20	31 March

All associated companies are registered in England and Wales.

*Although NWS BANK plc owns more than 50% of the total equity of these companies, the voting rights attached to these holdings represent only 50% of the total voting rights and accordingly, in the absence of control, these companies are accounted for as if they are associated undertakings. Fractions of a percent in the equity capital have been rounded in the above disclosure

JOINT VENTURE

The company has a 50% involvement in a joint venture, AA Financial Services, which has an accounting reference date of 31 December and whose principal place of business is NWS House, City Road, Chester.