

**IBOS MEADOWHALL INVESTMENTS LIMITED**

**ACCOUNTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1996**



**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

The Directors hereby submit their Report and the accounts for the year ended 30 September 1996.

**Directors' accounting responsibilities**

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 these financial statements 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 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 company and to prevent and detect fraud and other irregularities.

**Results**£000

The accounts of the company show a profit for the financial year of

265

A dividend is proposed of

270  
(5)

The balance brought forward at 1 October 1995 was

6

Leaving a balance to be carried forward of

1**Activities of the company**

The principal activity of the company is investment in property leases. 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 Directors of the company as at 30 September 1996 were:-

J.A. Mercer

A.J.J. Bochenski

J.S. Hammond

Mr J. S. Brown was a Director during the year and resigned on 28 May 1996.

The interests of Mr. J.A. Mercer in the companies within the Bank of Scotland Group, and options to subscribe for Bank of Scotland 25p Stock Units granted or exercised during the year, are disclosed in the accounts of NWS BANK plc, the immediate parent undertaking. The interests of the other Directors were as follows:-

Continued.....

## REPORT OF THE DIRECTORS (continued)

## DIRECTORS (continued)

Bank of Scotland Ordinary Stock Units of 25p eachBeneficially owned

	<u>At 1 October 1995</u>	<u>At 30 September 1996</u>
A.J.J. Bochenski	24,258	28,153
J.S. Hammond	17,090	21,365

Executive Stock Options

	Options held as at <u>1.10.95</u>	Options <u>granted</u>	Options <u>exercised</u>	Options held as at <u>30.9.96</u>	Weighted average exercise <u>price</u>	Market price at date of <u>exercise</u>	Potential gain at date of <u>exercise</u> <u>£000</u>	Closing weighted average exercise <u>price</u>
A.J.J. Bochenski	65,500	13,500	27,500	51,500	112.71p	270.0p	43	212.25p
J.S. Hammond	61,621	5,000	42,621	24,000	97.56p	253.5p	-	172.15p

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

Options granted prior to October 1995 were granted at an exercise price of the average market price for the three dealing days immediately prior to the date on which invitations to apply for options were issued.

Options granted in October 1995 and subsequently were granted at an exercise price of the average market price for the first three dealing days on which the Ordinary Stock is quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. Such options are subject to a performance precondition and may be exercised only where growth in earnings per Ordinary Stock unit has exceeded the growth in the General Index of Retail Prices over a period of not less than three consecutive financial years by not less than 2 per cent per annum.

Options were granted in October 1995 at an exercise price of 259.83p per Ordinary Stock unit.

Outstanding options are exercisable between 1996 and 2005. No options lapsed during the year.

Savings Related Stock Options

	Options held as at <u>1.10.95</u>	Options <u>granted</u>	Options <u>exercised</u>	Options held as at <u>30.9.96</u>	Weighted average exercise <u>price</u>	Market price at date of <u>exercise</u>	Potential gain at date of <u>exercise</u> <u>£000</u>	weighted average exercise <u>price</u>
J.S. Hammond	3,104	-	1,051	2,053	71.29p	279p	-	105.36p

Continued.....

**REPORT OF THE DIRECTORS (continued)****DIRECTORS (continued)**Savings Related Stock Options (continued)

Options granted prior to 1995 were at a 20% discount to the market price on the fourth dealing day after the announcement of the interim results.

Options granted in November 1995 and subsequently are at an exercise price of 80% of the average market price for the first three dealing days on which the Ordinary Stock was quoted ex dividend following announcement of the interim results and immediately prior to the date of grant.

Options were granted in November 1995 at an exercise price of 207.864p per Ordinary Stock Unit.

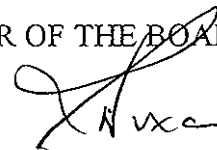
Outstanding options are exercisable between 1996 and 2003. No options lapsed during the year.

The market price of the Stock at 30 September 1996 was 246.5p and the range during the year was 228p to 312p.

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

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

BY ORDER OF THE BOARD



R. NIXON  
Secretary

NWS House  
City Road  
CHESTER

11 July 1997

**REPORT OF THE AUDITORS**  
**to the members of IBOS Meadowhall Investments Limited**

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We have audited the attached accounts which have been prepared under the historical cost convention and on the basis of the stated accounting policies.

**Respective responsibilities of directors and auditors**

As described in the directors' report 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 as at 30 September 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

**ERNST & YOUNG**  
**Chartered Accountants**  
**Registered Auditor**  
**LIVERPOOL**

*22 July 1997*

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

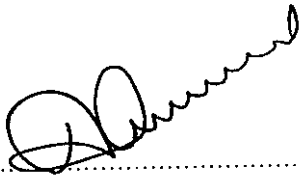
	<u>Notes</u>	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
TURNOVER	2	1,940	1,756
Finance and trading costs		<u>1,542</u>	<u>1,529</u>
GROSS PROFIT		398	227
Administration expenses		<u>3</u>	<u>3</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	395	224
Tax on profit on ordinary activities	4	<u>130</u>	<u>74</u>
PROFIT FOR THE FINANCIAL YEAR		265	150
Proposed dividend		<u>270</u> (5)	<u>150</u> -
Balance brought forward		<u>6</u>	<u>6</u>
BALANCE CARRIED FORWARD		<u>1</u>	<u>6</u>

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

## BALANCE SHEET AS AT 30 SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
<b>CURRENT ASSETS</b>			
Group relief : receivable within one year		54	244
Property leases: receivable in more than one year	5	<u>16,955</u>	<u>16,445</u>
		17,009	16,689
 CREDITORS: payable within one year	6	<u>(15,042)</u>	<u>(14,901)</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		1,967	1,788
 <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	7	<u>(1,966)</u>	<u>(1,782)</u>
		<u>1</u>	<u>6</u>
 <b>CAPITAL AND RESERVES</b>			
Called up share capital	8	-	-
Profit and loss account		<u>1</u>	<u>6</u>
EQUITY SHAREHOLDERS' FUNDS	9	<u>1</u>	<u>6</u>

Approved by the Board of Directors on 11 July 1997 and signed on its behalf by

  
 ..... DIRECTOR  
 J.S. HAMMOND

## NOTES ON THE ACCOUNTS

## 1. ACCOUNTING POLICIES

**Accounting convention**

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.

**Income recognition**

An amount is computed to give a constant rental on the funds invested in property leases. The excess of the computed amount over rental income receivable in the year is shown as 'rental equalisation'.

**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 earnings on funds invested in property leases.

The turnover and pre-tax profit are attributable to one continuing activity, investment in property leases.

3. PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION

	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Profit is stated after crediting:		
Rental income	1,430	1,223
Rental equalisation	<u>510</u>	<u>533</u>
and after charging:		
Intra group interest	801	713
Bank interest	741	816
Directors' remuneration	-	-
Auditors' remuneration - audit	3	3
- other	<u>-</u>	<u>-</u>

The company has no employees. It uses the services of its immediate parent undertaking for which no charge is made.



## NOTES ON THE ACCOUNTS (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
The tax charge based on the profit for the year is made up as follows:		
Transfer to deferred taxation	184	198
Group relief receivable, based on a corporation tax rate of 33% (1994: 33%)	(54)	(124)
	<u>130</u>	<u>74</u>
5. PROPERTY LEASES	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Receivable in more than one year	<u>16,955</u>	<u>16,445</u>
There was no additional investment in property leases during the year.		
6. CREDITORS: payable within one year	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Bank overdraft with Bank of Scotland	11,808	12,554
Amount owed to immediate parent undertaking	2,495	1,864
VAT	58	53
Proposed dividend	270	150
Other creditors	411	280
	<u>15,042</u>	<u>14,901</u>
7. DEFERRED TAXATION	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Full provision has been made as follows:		
Rental equalisation	1,619	1,451
Capital allowances on property leases	347	331
	<u>1,966</u>	<u>1,782</u>
8. SHARE CAPITAL	<u>1996</u>	<u>1995</u>
Ordinary shares of £1 each		
Authorised	<u>100</u>	<u>100</u>
Allotted, called up and fully paid	<u>2</u>	<u>2</u>

## NOTES ON THE ACCOUNTS (continued )

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1996</u> <u>£000</u>	<u>1995</u> <u>£000</u>
Shareholders' funds at 1 October	6	6
Profit for the financial year	265	150
Dividend	(270)	(150)
Other recognised gains and losses	-	-
Shareholders' funds at 30 September	<u>1</u>	<u>6</u>

## 10. PARENT UNDERTAKINGS

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is the Governor and Company of the Bank of Scotland, constituted by Act of the Scottish Parliament in 1695, and the parent undertaking of the smallest such group is NWS BANK plc, registered in England and Wales. 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. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh and copies of NWS BANK plc's accounts can be obtained from City Road, Chester.

The company is an integral part of the NWS Group's activities and NWS BANK plc has indicated its intention to continue to provide sufficient finance to the company to enable it to continue trading for at least one year from the date of approval of these accounts.