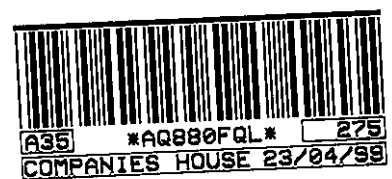


TWEED PREMIER 1 LIMITED
(FORMERLY TWEED PREMIER 1 PLC)

REPORT AND ACCOUNTS

28th FEBRUARY 1999

Company Number 2847978



REPORT OF THE DIRECTORS

Directors

S. Ballingall
J. Barkley

The Directors have pleasure in submitting their report and statement of accounts of the Company for the three months ended 28th February, 1999.

Activity and Review of Business

The Company's principal activity is investment in property.

On 18th January 1999, the Company was acquired by Horizon Capital Limited.

On 21st February, 1999 the Company re-registered as Tweed Premier 1 Limited.

Results and Dividends

The loss after taxation for the period amounted to £18,796 (Eleven months to 30th November, 1998 profit: £155,066). The Directors do not propose the payment of a dividend.

Fixed Assets

Details of movements in fixed assets during the period are set out in Note 4 to the financial statements.

Directors and their interests

The Directors at the date of this report are stated above. During the period the following resignations and appointments were made:

S Ballingall	Appointed 18th January 1999
J. Barkley	Appointed 18th January 1999
A. Cassels	Resigned 18th January 1999
J.S. Hunter	Resigned 18th January 1999
E.D. Murray	Resigned 18th January 1999
N.A. Smith	Resigned 18th January 1999
D.A. Whitaker	Resigned 18th January 1999

Directors and their interests (Continued)

No Director had an interest in the shares of the Company, nor in the preference stocks of The Governor and Company of the Bank of Scotland ("Bank of Scotland"), the Company's ultimate parent undertaking, nor in the shares of any other undertakings within the Bank of Scotland Group, at any time during the period.

Directors' interests in the ordinary stock units of Bank of Scotland were as follows:-

	<u>At Date of Appointment</u> <u>Ordinary Stock Units of 25p each</u>	<u>At 28th February, 1999</u> <u>Ordinary Stock Units of 25p each</u>
S Ballingall	2,625	2,625
J. Barkley	89,650	89,650

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the period to 28th February, 1999 as follows:-

Executive Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>1998</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>28th February</u> <u>1999</u>
S Ballingall	7,900	4,000	-	11,900
J. Barkley	123,500	15,000	74,000	64,500

Ordinary Stock units of 25p each

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

Savings Related Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>1998</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>28th February</u> <u>1999</u>
S. Ballingall	1,111	719	-	1,830
J. Barkley	4,533	681	941	4,273

Ordinary Stock units of 25p each

Auditors

In accordance with s.392 of the Companies Act 1985 (as amended) Ernst & Young, Auditors will serve notice on the company intimating their resignation as auditors of the company with effect from 15th June, 1999. KPMG Audit plc will be appointed auditors by the directors with effect from 15th June, 1999.

By Order of the Board,

L.J.W. Black

L.J.W. Black,
Secretary.

15th April, 1999

Registered Office
55 Old Broad Street,
LONDON,
EC2P 2HL

PROFIT & LOSS ACCOUNT

For the three months ended 28th February, 1999

	<u>Notes</u>	<u>1999</u>	<u>1 January 1998 to 30 November 1998</u>
		<u>£</u>	<u>£</u>
Rental income receivable		115,181	392,965
Property expenses		(42,806)	(179,730)
Gross profit		72,375	213,235
Administrative expenses		(67,395)	(39,479)
Operating profit	2	4,980	173,756
Loss on disposal of fixed assets		(17,473)	-
Interest receivable		4,698	21,983
(Loss)/profit on ordinary activities before taxation		(7,795)	195,739
Taxation	3	(11,001)	(40,673)
(Loss)/Profit on ordinary activities after taxation		(18,796)	155,066
Profit and loss account at 1st December, 1998		538,911	383,845
Profit and loss account at 28th February, 1999		<u>520,115</u>	<u>538,911</u>

The notes on pages 7 to 11 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the three months ended 28th February, 1999

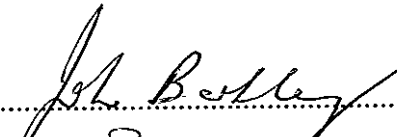
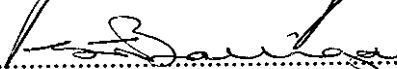
	<u>Notes</u>	<u>1999</u>	<u>1 January 1998 to 30 November 1998</u>
		£	£
(Loss)/profit for the financial period		(18,796)	155,066
Unrealised surplus on revaluation of properties (net of deferred taxation)		124,127	110,508
Total recognised gains		<u>105,331</u>	<u>265,574</u>

The notes on pages 7 to 11 form part of these accounts.

BALANCE SHEET

As at 28th February, 1999

	<u>Notes</u>	<u>1999</u>	<u>As at 30th</u> <u>November</u> <u>1998</u>
		<u>£</u>	<u>£</u>
<u>Fixed Assets</u>			
Tangible Fixed Assets	4	<u>5,682,154</u>	<u>5,720,533</u>
<u>Current Assets</u>			
Debtors	5	4,427	13,224
Amount due from fellow subsidiary undertaking		472,510	-
Amount due from ultimate parent undertaking		102,016	439,937
		<u>578,953</u>	<u>453,161</u>
<u>Creditors: amounts falling due within one year</u>			
Corporation Tax		(52,001)	(41,000)
Accruals and deferred income		(22,060)	(8,802)
		<u>(74,061)</u>	<u>(49,802)</u>
Net Current Assets		<u>504,892</u>	<u>403,359</u>
Total Assets less Current Liabilities		<u>6,187,046</u>	<u>6,123,892</u>
Provisions and liabilities for charges	6	-	(42,177)
Net Assets		<u><u>6,187,046</u></u>	<u><u>6,081,715</u></u>
<u>Share Capital and Reserves</u>			
Called-up share capital	8	2,500,002	2,500,002
Share premium account		2,306,771	2,306,771
Revaluation reserve	9	860,158	736,031
Profit and Loss Account		520,115	538,911
<u>Equity Shareholders' Funds</u>	10	<u><u>6,187,046</u></u>	<u><u>6,081,715</u></u>

.....Director
.....Director
1st April, 1999

The notes on pages 7 to 11 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention, as modified to include the revaluation of properties, and in accordance with applicable accounting standards.

1.2 Tangible fixed assets

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

1.3 Fixtures and fittings

Fixtures and fittings are stated at cost less depreciation. These assets have been fully depreciated.

1.4 Deferred taxation

Provision is made for deferred taxation, using the liability method, to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1.5 Rental income

Rental income comprises gross rents received and in transit.

2. Operating Profit

Operating profit is stated after charging:

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Auditors' remuneration		
- audit services	1,880	1,539
- other services including taxation	-	385
Depreciation	37,274	38,485
Directors emoluments	-	1,833

The Company has no employees.

NOTES TO THE ACCOUNTS (Continued)

3. Taxation

	<u>1999</u> £	<u>1998</u> £
UK corporation tax	11,001	41,000
Under/(over) provision in prior year	-	(327)
Tax on profit on ordinary activities	<u>11,001</u>	<u>40,673</u>

4. Tangible fixed assets

(1) Summary

	<u>Properties</u> £	<u>Fixtures and fittings</u> £	<u>Total</u> £
<u>Cost or valuation</u>			
1st December, 1998	5,683,259	207,991	5,891,250
Additions at cost	-	-	-
Disposals at cost	(83,055)	-	(83,055)
Revaluation	81,950	-	81,950
28th February, 1999	<u>5,682,154</u>	<u>207,991</u>	<u>5,890,145</u>
<u>Depreciation</u>			
1st December, 1998	-	170,717	170,717
Charge for the period	-	37,274	37,274
28th February, 1999	<u>-</u>	<u>207,991</u>	<u>207,991</u>
<u>Net book value</u>			
28th February, 1999	<u>5,682,154</u>	<u>-</u>	<u>5,682,154</u>
1st December, 1998	<u>5,683,259</u>	<u>37,274</u>	<u>5,720,533</u>

The historical cost of the Company's properties was £4,821,996 (30 November 1998: £4,905,051).

NOTES TO THE ACCOUNTS (Continued)

4. Tangible fixed assets (Continued)

(2) Analysis of properties

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Net book value		
Freehold	1,619,697	1,596,674
Long leasehold	4,062,457	4,086,585
	<u>5,682,154</u>	<u>5,683,259</u>

5. Debtors

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Prepayments and accrued income	4,427	13,224
Other debtors	-	-
	<u>4,427</u>	<u>13,224</u>

6. Provisions for Liabilities and Charges

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Deferred Tax		
1st December 1998	42,177	58,204
Transfer to investment revaluation reserve	(42,177)	(16,027)
	<u>-</u>	<u>42,177</u>
28th February 1999		

7. Deferred Tax

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Full provision has been made for deferred tax as follows:		
Revaluation of properties	-	42,177
	<u>-</u>	<u>42,177</u>

NOTES TO THE ACCOUNTS (Continued)

8. Equity Share Capital

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
50p 'A' ordinary share	-	.50
50p Ordinary shares	2,500,002.00	2,500,001.50
£1 Redeemable preference shares	50,000.00	50,000.00
	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
<u>Allotted and fully paid</u>		
50p 'A' ordinary share	-	.50
50p Ordinary shares	2,500,002.00	2,500,001.50
	<u>2,500,002.00</u>	<u>2,500,002.00</u>

On 18th January, 1999 the Authorised Share Capital of 1 'A' Ordinary share of 50p and 5,000,003 Ordinary shares of 50p each were reclassified as 5,000,004 Ordinary shares of 50p each.

9. Revaluation Reserve

	<u>£</u>
1st December, 1998	736,031
Revaluation in the period	81,950
Deferred tax (note 6)	42,177
28th February, 1999	<u>860,158</u>

NOTES TO THE ACCOUNTS (Continued)

10. Reconciliation of Equity Shareholders' Funds

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
(Loss)/profit attributed to Equity Shareholders'	(18,796)	155,066
Other recognised gains and losses relating to the period	<u>124,127</u>	<u>110,508</u>
Net addition to shareholders' funds	105,331	265,574
Opening shareholders' funds	6,081,715	5,816,141
Closing shareholders' funds	<u><u>6,187,046</u></u>	<u><u>6,081,715</u></u>

11. Parent undertakings

The Company's parent undertaking is Horizon Capital Limited and its ultimate parent undertaking is The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company is included in the consolidated accounts of Bank of Scotland and copies of its Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh, EH1 1YZ.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 the financial statements on pages 4 to 11 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF
TWEED PREMIER 1 LIMITED (FORMERLY TWEED PREMIER 1 PLC)

We have audited the accounts on pages 4 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 12, 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 the company's affairs as at 28th February, 1999 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
Edinburgh

| April, 1999