

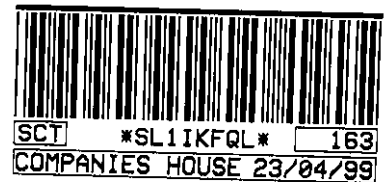
UBERIOR INVESTMENTS PLC

REPORT AND ACCOUNTS

28th February, 1999

COMPANY NUMBER 73998

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REPORT OF THE DIRECTORSDirectors

P. A. Burt (Chairman)

J. S. Hunter

W. G. McQueen

I. W. St.C. Scott

The Directors submit their report and audited accounts of the Company for the year ended 28th February, 1999.

Principal activities

The Company operates as an investment holding company and there has been no change in that activity during the year.

Results and review of operations

The Company made a profit before tax of £42,324,702 for the year (1998 - £14,457,334).

After taxation, the profit for the year amounted to £42,742,962 (1998 - £12,337,367). An interim dividend was paid in the year, amounting to £32,280,000. The Directors recommend payment of a final dividend of £4,625,000.

The Directors consider the Company's position and results for the year to be satisfactory.

In the year under review the Company acquired a 100% interest in BOS (Shared Appreciation Mortgages) No. 7 PLC, BOS (Shared Appreciation Mortgages) No. 8 PLC and BOS (Shared Appreciation Mortgages (Scotland)) No. 4 PLC. The Company disposed of Above Bar (Southampton) Limited to a fellow subsidiary Company at book value.

The Company continued to expand its investment interests. The Company has now committed to invest funds in 29 venture capital funds. The Company took over from its subsidiary, SFE Investments Limited, the legal commitments in respect of three venture capital funds. The investments were transferred at book value.

In addition the Company has invested in several new associate companies and joint ventures including Leisure Parcs Limited, Ocean Terminal Limited, Morston Archway Limited and Highland Property (Assets) Limited.

Suppliers Payment Policy and Practice

It is the company's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers.

The number of days credit taken at 28th February, 1999 was 24 days.

Directors and their interests

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

I. W. St.C. Scott had an interest in 1,453 ordinary shares in Bank of Western Australia Ltd (At 28th February 1998: 1,377). No other 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

REPORT OF THE DIRECTORS(continued)Directors and their interests (continued)

Company's holding company, nor in the shares of any other undertakings within the Bank of Scotland Group, at any time during the year.

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

	<u>At 28th February, 1998</u>	<u>At 28th February, 1999</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
P. A. Burt	391,118	301,240
J. S. Hunter	114,754	118,342
W. G. McQueen	50,519	51,729
I. W. St. C. Scott	183,997	164,210

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year 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>
P. A. Burt	395,000	60,000	-	455,000
J. S. Hunter	107,000	15,000	-	122,000
W. G. McQueen	245,000	35,000	120,000	160,000
I. W. St. C. Scott	237,000	17,650	48,000	206,650

Ordinary Stock units of 25p each

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</u> <u>February</u> <u>1999</u>
J. S. Hunter	12,450	981	2,202	11,229

Ordinary Stock units of 25p each

No options lapsed during the year.

Auditors

Following a decision to appoint a single firm for the audit of all Bank of Scotland Group companies, Ernst & Young will be resigning as auditors of the Company. A resolution proposing the appointment of KPMG Audit Plc will be put to the forthcoming Annual General Meeting.

By Order of the Board,

L.J.W. Black

L.J.W. Black

Secretary.

6th April, 1999

Registered Office

The Mound,
Edinburgh,
EH1 1YZ.

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1999

	<u>Notes</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Income from investments in subsidiary undertakings		36,405,000	8,880,277
Income from other fixed asset investments	2	2,919,171	2,990,668
Other operating income	3	4,264,888	5,540,121
Interest payable to parent undertaking		(1,260,062)	(701,969)
Other operating expenses	4	(4,295)	(2,251,763)
Profit on ordinary activities before taxation		<u>42,324,702</u>	<u>14,457,334</u>
Taxation	5	418,260	(2,119,967)
Profit on ordinary activities after taxation		<u>42,742,962</u>	<u>12,337,367</u>
Ordinary dividend - paid		(32,280,000)	(6,000,000)
- proposed		(4,625,000)	(11,200,000)
Retained profit/(loss) for the year		<u>5,837,962</u>	<u>(4,862,633)</u>
Profit and loss account at 1st March, 1998		529,334	5,391,967
Profit and loss account at 28th February, 1999		<u><u>6,367,296</u></u>	<u><u>529,334</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 6 to 10 form part of these accounts

BALANCE SHEETAs at 28th February, 1999

	<u>Notes</u>	<u>£</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
<u>Fixed Assets</u>				
Investments in subsidiary undertakings	6		168,665,571	168,810,583
Listed investments	7		8,446,464	8,422,857
Unlisted investments	7		102,110,264	35,368,468
			<u>279,222,299</u>	<u>212,601,908</u>
<u>Current Assets</u>				
Amount due from subsidiary undertakings		4,125,000		5,144,000
Other debtors and accrued income		5,082,763		241,497
		<u>9,207,763</u>		<u>5,385,497</u>
<u>Creditors: amounts falling due within one year</u>				
Amount due to parent undertaking		(272,663,895)		(210,499,653)
Amounts due to subsidiary undertakings		(4,639,603)		(100,100)
Accruals		(170,636)		(1,764)
Corporation tax		(1,073,008)		(1,856,554)
		<u>(278,547,142)</u>		<u>(212,458,071)</u>
<u>Net Current Liabilities</u>			(269,339,379)	(207,072,574)
<u>Total Assets less Current Liabilities</u>			<u>9,882,920</u>	<u>5,529,334</u>
<u>Provisions for Liabilities and Charges</u>				
Other Provisions			(1,515,624)	(3,000,000)
<u>Net Assets</u>			<u>8,367,296</u>	<u>2,529,334</u>
<u>Share Capital and Reserves</u>				
Share capital	9		2,000,000	2,000,000
Profit and loss account			6,367,296	529,334
<u>Equity Shareholders' Funds</u>	10		<u>8,367,296</u>	<u>2,529,334</u>

W B McQueen Director

Geir Scott Director

6th April, 1999

The notes on pages 6 to 10 form part of these accounts

NOTES TO THE ACCOUNTS1. Accounting Policies1.1 Basis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with currently applicable accounting standards.

1.2 Investments

Investments are stated at cost or, where it is estimated that the value of an investment has been permanently impaired, at estimated realisable value.

1.3 Income from investments

Dividend income is brought into account when declared. Franked income is stated inclusive of the associated tax credit. Interest income is incorporated on an accruals basis.

1.4 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.

2. Income from investments

	1999			1998		
	Listed £	Unlisted £	Total £	Listed £	Unlisted £	Total £
Shares	881,777	1,619,640	2,501,417	687,632	2,182,269	2,869,901
Others	-	417,754	417,754	-	120,767	120,767
	<u>881,777</u>	<u>2,037,394</u>	<u>2,919,171</u>	<u>687,632</u>	<u>2,303,036</u>	<u>2,990,668</u>

Of the income from shares, £1,826,417 is franked income (1998: £2,819,901) and £675,000 is unfranked income (1998: £50,000).

3. Other operating income

Other operating income comprises:-

	<u>1999</u> £	<u>1998</u> £
Gain on disposal of investments	4,264,888	5,539,966
Interest received	-	155
	<u>4,264,888</u>	<u>5,540,121</u>

NOTES TO THE ACCOUNTS (Continued)

4. <u>Other operating expenses</u>	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Other operating expenses comprises :		
Amounts written off fixed asset investments	-	2,250,000
Audit fees	3,525	1,500
Other operating expenses	770	263
	<u>4,295</u>	<u>2,251,763</u>

The Company has no employees and none of the Directors receives any emoluments from the Company.

5. Taxation

The taxation charge which is based on the profit on ordinary activities comprises

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Corporation tax	1,044,188	1,545,146
Tax credits on franked investment income	365,284	563,980
(Over)/under provision in earlier years	(1,827,732)	10,841
	<u>(418,260)</u>	<u>2,119,967</u>

6. Investments in subsidiary undertakings

	<u>1999</u> <u>£</u>
At cost as at 1st March, 1998	168,810,583
Acquired in the year	99,988
Disposals in the year	(245,000)
Written off in year	-
At cost as at 28th February, 1999	<u>168,665,571</u>

The cumulative amount written off the cost of investments in subsidiary undertakings is £2,250,000 (1998: £2,250,000).

NOTES TO THE ACCOUNTS (Continued)6. Investments in subsidiary undertakings (Continued)

Details of the subsidiary undertakings, all of which are incorporated in the UK, are noted below:-

<u>Name of Company</u>	<u>Principal Business</u>	<u>% of Ordinary Shares Held</u>
Chesser Properties Limited	Property Letting	51
Bosint Investments Limited	Investment	100
BOS Investments (CBS) Limited	Investment	100
Bank of Scotland Insurance Services Ltd	Insurance Broking	100
Robertson Avenue Investments Limited	Investment	100
BOS (Shared Appreciation Mortgages) No.1 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No.2 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 3 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 4 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 5 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 6 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 7 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages) No. 8 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages (Scotland)) PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages (Scotland)) No. 2 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages (Scotland)) No. 3 PLC	Mortgage Lending	100
BOS (Shared Appreciation Mortgages (Scotland)) No. 4 PLC	Mortgage Lending	100
Riclab Limited	Property Letting	90
SFE Investments Ltd	Investment	100

Group accounts are not submitted as the Company is exempt under Section 228 Companies Act 1985 since it is a wholly owned subsidiary of another body corporate which is incorporated in the United Kingdom.

The value of the investments in the subsidiary undertakings, in the view of the Directors, is not less than the amount at which they are stated in the accounts.

NOTES TO THE ACCOUNTS (Continued)7. Investments

	<u>Listed</u>		<u>Unlisted</u>	
	<u>Investments</u>	<u>Shares</u>	<u>Other</u>	<u>Total Unlisted</u>
	<u>£</u>	<u>£</u>	<u>Investments</u>	<u>Investments</u>
			<u>£</u>	<u>£</u>
As at 1st March, 1998	8,422,857	20,935,801	14,432,667	35,368,468
Additions	23,607	37,318,234	42,672,384	79,990,618
Disposals	-	(12,660,013)	(588,809)	(13,248,822)
As at 28th February, 1999	<u>8,446,464</u>	<u>45,594,022</u>	<u>56,516,242</u>	<u>102,110,264</u>

Included within additions of unlisted investments of £79,990,618 (1998 - £17,556,687) is £4,398,772 in respect of amounts transferred from a subsidiary undertaking. Disposals of unlisted shares during the year of £12,660,013 includes £12,500,000 which was transferred to other group companies.

Market value of listed investments amounted to £12,773,000 (1998: £14,528,000).

The listed investments are listed on the London Stock Exchange.

The cumulative amount written off the cost of unlisted investments is £6,862,953 (1998: £6,862,953).

The principal related company investments, which are unlisted are:

<u>Registered in UK</u>	<u>Class of Shares</u>	<u>Proportion of</u> <u>Class Held</u>	<u>Principal Area</u> <u>of Operations</u>
		<u>%</u>	
Advance Payroll Services Ltd	"B" Ordinary	50	Scotland
	7% Cumulative	100	
	Redeemable Preference		

8. Other Provisions

	<u>£</u>
Provision at 1st March, 1998	3,000,000
Utilised during the year	(1,484,376)
Provision at 28th February, 1999	<u>1,515,624</u>

NOTES TO THE ACCOUNTS (Continued)9. Share capital

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Authorised		
100 million ordinary shares of £1	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, issued and fully paid		
2 million ordinary shares of £1	<u>2,000,000</u>	<u>2,000,000</u>

10. Movement in Equity Shareholders' Funds

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
Profit after taxation for the year	42,742,962	12,337,367
Dividends	(36,905,000)	(17,200,000)
Net movement in Equity Shareholders' Funds	<u>5,837,962</u>	<u>(4,862,633)</u>
Equity Shareholders' Funds at 1st March, 1998	2,529,334	7,391,967
Equity Shareholders' Funds at 28th February, 1999	<u>8,367,296</u>	<u>2,529,334</u>

11. Other contingent liabilities

The company has committed £183.6 million as a limited partner in venture capital funds of which £127.7 million is undrawn.

12. Parent undertaking

The Company's 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 group 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 for the year. The Directors consider that in preparing the financial statements on pages 4 to 10 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 UBERIOR INVESTMENTS PLC

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 11 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor,
Edinburgh.

6th April, 1999