

UBERIOR INVESTMENTS PLC

REPORT AND ACCOUNTS

29th February, 2000

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 29th February, 2000.

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 £67,260,041 for the year (1999 - £42,324,702).

After taxation, the profit for the year amounted to £64,136,932 (1999 - £42,742,962). Interim dividends were paid in the year, amounting to £60,180,000 (1999 - £32,280,000). The Directors recommend a final dividend of £5,000,000 (1999 - £4,625,000).

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

The Company continued to expand its investment interests. The Company has now committed to invest funds in 39 (1999 - 29) venture capital funds. In addition the Company has invested in several new associate companies and joint ventures including Ocean Terminal Limited, Dotterel Limited and Forte Salford 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 29th February, 2000 was 30 days (1999 - 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 1,491 ordinary shares in Bank of Western Australia Ltd (At 28th February 1999: 1,453). 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 Company's holding company, nor in the shares of any other undertakings within the Bank of Scotland Group, at any time during the year.

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

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

	<u>At 28th February, 1999</u>	<u>At 29th February, 2000</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
P. A. Burt	301,240	302,158
J. S. Hunter	118,342	174,536
W. G. McQueen	51,729	52,731
I. W. St. C. Scott	164,210	237,259

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 29th February, 2000 as follows:-

Executive Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>1999</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>29th February</u> <u>2000</u>
P. A. Burt	455,000	-	-	455,000
J. S. Hunter	122,000	-	55,000	67,000
W. G. McQueen	160,000	-	-	160,000
I. W. St. C. Scott	206,650	-	120,000	86,650

# 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>1999</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised</u>	<u>#Options</u> <u>held as at</u> <u>29th February</u> <u>2000</u>
J. S. Hunter	11,229	554	-	11,783

# Ordinary Stock units of 25p each

No options lapsed during the year.

DIRECTORS REPORT CONT.

Auditors

A resolution proposing the re-appointment of KPMG Audit Plc will be put to the forthcoming Annual General Meeting.

By Order of the Board,



L.J.W. Black  
Secretary.

3rd April, 2000

Registered Office

The Mound,  
Edinburgh,  
EH1 1YZ.

PROFIT AND LOSS ACCOUNTFor the year ended 29th February, 2000

	<u>Notes</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Income from investments in subsidiary undertakings		54,805,000	36,405,000
Income from other fixed asset investments	2	3,254,408	2,919,171
Gains on disposal of investments		13,894,805	4,264,888
Interest payable	3	(1,886,574)	(1,260,062)
Other operating expenses	4	(2,807,598)	(4,295)
Profit on ordinary activities before taxation		<u>67,260,041</u>	<u>42,324,702</u>
Taxation	5	(3,123,109)	418,260
Profit on ordinary activities after taxation		<u>64,136,932</u>	<u>42,742,962</u>
Ordinary dividend – paid		(60,180,000)	(32,280,000)
- proposed		(5,000,000)	(4,625,000)
Retained (loss)/profit for the year		<u>(1,043,068)</u>	<u>5,837,962</u>
Profit and loss account at 1st March, 1999		6,367,296	529,334
Profit and loss account at 29th February, 2000		<u><u>5,324,228</u></u>	<u><u>6,367,296</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 29th February, 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		<u>£</u>	<u>£</u>
<u>Fixed Assets</u>			
Investments in subsidiary undertakings	6	168,582,693	168,665,571
Listed investments	7	11,591,244	8,446,464
Unlisted investments	7	179,300,160	102,110,264
		<u>359,474,097</u>	<u>279,222,299</u>
<u>Current Assets</u>			
Amount due from subsidiary undertakings		4,995,000	4,125,000
Other debtors and accrued income		1,865,562	5,082,763
		<u>6,860,562</u>	<u>9,207,763</u>
<u>Creditors: amounts falling due within one year</u>			
Amount due to parent undertaking		(349,443,147)	(272,663,895)
Amounts due to subsidiary undertakings		(4,712,580)	(4,639,603)
Accruals		(480,521)	(170,636)
Corporation tax		(2,071,683)	(1,073,008)
		<u>(356,707,931)</u>	<u>(278,547,142)</u>
<u>Net Current Liabilities</u>		<u>(349,847,369)</u>	<u>(269,339,379)</u>
<u>Total Assets less Current Liabilities</u>		<u>9,626,728</u>	<u>9,882,920</u>
<u>Provisions for Liabilities and Charges</u>			
Other Provisions	8	(2,302,500)	(1,515,624)
<u>Net Assets</u>		<u>7,324,228</u>	<u>8,367,296</u>
<u>Share Capital and Reserves</u>			
Share capital	9	2,000,000	2,000,000
Profit and loss account		5,324,228	6,367,296
<u>Equity Shareholders' Funds</u>	10	<u>7,324,228</u>	<u>8,367,296</u>

*W. McQueen*.....Director

*T. A. U. U.*.....Director

3rd April, 2000

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.

The accounts have been prepared on a going concern basis because facilities are currently made available by the ultimate parent company which are sufficient to meet the Company's obligations as they fall due.

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

	2000			1999		
	Listed £	Unlisted £	Total £	Listed £	Unlisted £	Total £
Shares	891,047	2,189,624	3,080,671	881,777	1,619,640	2,501,417
Others	-	173,737	173,737	-	417,754	417,754
	<u>891,047</u>	<u>2,363,361</u>	<u>3,254,408</u>	<u>881,777</u>	<u>2,037,394</u>	<u>2,919,171</u>

Of the income from shares, £3,080,671 is franked income (1999: £1,826,417) and £nil is unfranked income (1999: £675,000).

3. Interest payable

	<u>2000</u> £	<u>1999</u> £
Interest payable to group undertakings	1,886,531	1,260,062
Other interest payable	43	-
	<u>1,886,574</u>	<u>1,260,062</u>

NOTES TO THE ACCOUNTS (Continued)

4. <u>Other operating expenses</u>	2000 £	1999 £
Other operating expenses comprises :		
General provision	2,302,500	-
Amounts written off fixed asset investments	499,814	-
Audit fees	3,525	3,525
Other operating expenses	1,759	770
	<u>2,807,598</u>	<u>4,295</u>

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

5. Taxation

The taxation charge/(credit) which is based on the profit on ordinary activities comprises

	2000 £	1999 £
Corporation tax	2,939,404	1,044,188
Tax credits on franked investment income	329,612	365,284
Over provision in earlier years	(145,907)	(1,827,732)
	<u>3,123,109</u>	<u>(418,260)</u>

6. Investments in subsidiary undertakings

	2000 £
At cost as at 1st March, 1999	168,665,571
Disposals in the year	(82,878)
At cost as at 29th February, 2000	<u>168,582,693</u>

The written down investment was sold during the year. The cumulative amount written off the cost of investments in subsidiary undertakings is £nil (1999: £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>
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

	Listed	Unlisted		
	Investments	Shares	Other Investments	Total Unlisted Investments
	£	£	£	£
As at 1st March, 1999	8,446,464	45,594,022	56,516,242	102,110,264
Additions	4,802,924	23,664,549	62,163,360	85,827,909
Disposals	(1,930,911)	(24,500)	(8,113,699)	(8,138,199)
Amounts (written off)/written back	272,767	(499,814)	-	(499,814)
As at 29th February, 2000	<u>11,591,244</u>	<u>68,734,257</u>	<u>110,565,903</u>	<u>179,300,160</u>

Market value of listed investments amounted to £18,681,000 (1999: £12,773,000). The listed investments are listed on the London Stock Exchange. The cumulative amount written off the cost of unlisted investments is £7,090,000 (1999: £6,590,186) and the cumulative amount written off listed investments is £nil (1999 £272,767).

The principal related company investments, which are unlisted are:

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

8. Other Provisions

	£
Provision at 1st March, 1999	1,515,624
Provided during the year	2,302,500
Utilised during the year	(1,515,624)
Provision at 29th February, 2000	<u>2,302,500</u>

The provision at 29th February, 2000 represents a general provision against investments and undrawn commitments.

NOTES TO THE ACCOUNTS (Continued)9. Share capital

	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Authorised		
100 million ordinary shares of £1	<u>100,000,000</u>	<u>100,000,000</u>
Allotted, called up 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>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
Profit after taxation for the year	64,136,932	42,742,962
Dividends	(65,180,000)	(36,905,000)
Net movement in Equity Shareholders' Funds	<u>(1,043,068)</u>	<u>5,837,962</u>
Equity Shareholders' Funds at 1st March, 1999	8,367,296	2,529,334
Equity Shareholders' Funds at 29th February, 2000	<u>7,324,228</u>	<u>8,367,296</u>

11. Other contingent liabilities

The company has committed £332.0 million (1999 - £183.6 million) as a limited partner in venture capital funds of which £227.8 million (1999 - £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

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 11 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Accounting Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**Basis of 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 at 29th February 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**Edinburgh**

*3 April 2000*