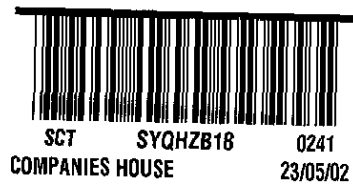


UBERIOR INVESTMENTS PLC

REPORT AND ACCOUNTS

31 December 2001

COMPANY NUMBER 73998



REPORT OF THE DIRECTORSDirectors

P. A. Burt (Chairman)	H C McMillan
H. Baines	W. G. McQueen
P Cummings	E.J. Morrison
M. Ellis	I. Robertson
C Matthew	M Wooderson

The Directors submit their report and audited accounts of the Company for the 10 month period ended 31 December 2001.

Principal activities

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

Results and review of operations

The Company made a profit before tax for the 10 month period to 31 December 2001 of £35,797,565 (12 months to 28 February 2001 - £26,310,019).

After taxation, the profit for the 10 month period to 31 December 2001 amounted to £32,724,258 (12 months to 28 February 2001 - £21,882,092). Interim dividends were paid in the period, amounting to £2,500,000 (12 months to 28 February 2001 - £7,800,000). The Directors recommend a final dividend of £27,500,000 (12 months to 28 February 2001 - £16,500,000).

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

The Company continued to expand its investment interests. The Company has now committed to invest funds in 79 (Feb 2001 – 62) venture capital funds. In addition the Company has invested in several new associate companies and joint ventures including UK Retail Portfolio Ltd, Fusion Securities Ltd, Colesbourne Asset Management Ltd, CGIS Group Ltd and Sapphire Retail Fund Ltd.

The Company has changed its accounting reference date to 31 December from 28 February to align its year-end with that of its ultimate parent undertaking, HBOS plc. Pursuant to schemes of arrangement under section 425 of the Companies Act Bank of Scotland (the previous ultimate parent undertaking) and Halifax Group became subsidiaries of HBOS plc on 10 September 2001. The merged Group has a 31 December accounting reference date. These accounts are accordingly for a 10 month period.

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 31 December 2001 was 30 days (28 February 2001 – 30 days).

Directors and their interests (continued)

The Directors at the date of this report are as stated above.

Dates of appointment and resignation were as follows:

G.G. Masterton	resigned 15 June 2001
J.P. Malcolm	resigned 5 November 2001
J.S. Hunter	resigned 19 November 2001
H Baines	appointed 19 November 2001
M. Ellis	appointed 30 November 2001
E.J. Morrison	appointed 30 November 2001
I Robertson	appointed 30 November 2001
R.J. Mee	resigned 15 January 2002

The other Directors served throughout the period.

No Director had a beneficial interest in the shares of the Company during the period.

No Director had a beneficial interest in the shares of any undertaking within the Bank of Scotland Group up to 10 September 2001, or within HBOS plc Group, from that date, to the end of the period, other than as below.

Under the terms of the merger, on 10 September 2001 each Halifax Group share or Bank of Scotland ordinary stock unit was exchanged for one HBOS plc ordinary share.

	<u>At 28 February 2001</u> <u>Or Date of Appointment</u> <u>Ordinary Shares of 25p each</u> <u>in HBOS plc</u>	<u>At 31 December 2001</u> <u>Ordinary Shares of 25p each</u> <u>in HBOS plc</u>
P A Burt#	482,588	508,615
H Baines*	1,490	1,490
P Cummings#	19,458	25,745
M Ellis*	39,617	39,617
C Matthew#	39,704	41,348
H C McMillan#	36,741	62,554
W G McQueen#	54,233	54,445
E J Morrison*	16,642	17,700
I Robertson*	3,216	3,216
M Wooderson#	2,266	3,296

\* At date of appointment

# At the beginning of the period, the interests of the Directors were in Ordinary Stock Units of The Governor and Company of Bank of Scotland.

Options to subscribe for Ordinary stock units/ Ordinary shares of Bank of Scotland/HBOS plc were granted to or exercised by Directors during the period to 31 December 2001 as follows:

Directors and their interests (continued)Executive Share Options/Conditional Share Grants held by Directors

	<u>Held as at</u> <u>1st March 2001</u> <u>or date of</u> <u>appointment</u>	<u>Granted</u>	<u>Exercised</u>	<u>*Held as at</u> <u>31st December</u> <u>2001</u>
P A Burt#	440,000	-	275,000	165,000
H Baines‡	36,764	-	-	36,764
P Cummings#	72,500	-	19,500	53,000
M Ellis‡	116,458	-	-	116,458
C Matthew#	241,000	-	-	241,000
H C McMillan#	83,800	-	23,000	60,800
W G McQueen#	235,000	-	-	235,000
E Morrison‡	41,500	-	-	41,500
I Robertson‡	63,500	-	-	63,500
M Wooderson#	35,000	-	-	35,000

\* Ordinary shares of 25p each in HBOS plc

# At the beginning of the period, the interests of the Directors were in Ordinary Stock Units of The Governor and Company of the Bank of Scotland

‡ On appointment, the interests of the Directors were in Ordinary shares of HBOS plc.

Savings Related Share Options held by Directors

	<u>Options held as</u> <u>at 1st March 2001</u> <u>or date of</u> <u>appointment</u>	<u>*Options</u> <u>granted</u>	<u>*Options</u> <u>exercised</u>	<u>*Options</u> <u>held as at</u> <u>31st December</u> <u>2001</u>
P Cummings#	3,190	-	-	3,190
M Ellis‡	2,980	-	-	2,980
H C McMillan#	4,597	672	1,764	3,505
W G McQueen#	3,571	-	-	3,571
E Morrison‡	3,534	408	1,058	2,884
M Wooderson#	3,571	-	-	3,571

\* Ordinary Shares of 25p each in HBOS plc

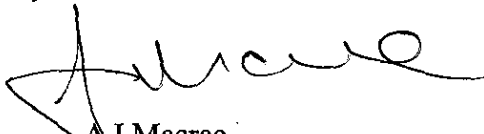
# At the beginning of the period, the interests of the Directors were in Ordinary Stock Units of The Governor and Company of the Bank of Scotland

‡ On appointment, the interests of the Directors were in Ordinary shares of HBOS plc.

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,



A I Macrae  
Secretary.

20 February, 2002

Registered Office

Bank of Scotland,  
New Uberior House,  
11 Earl Grey Street,  
Edinburgh.  
EH3 9BN

PROFIT AND LOSS ACCOUNTFor the 10 month period ended 31 December 2001

	<u>Notes</u>	<u>10 months to</u> <u>31 Dec 2001</u> <u>£</u>	<u>12 months to</u> <u>28 Feb 2001</u> <u>£</u>
Income from investments in subsidiary undertakings		7,612,515	9,565,000
Income from other fixed asset investments	2	10,918,195	4,901,971
Gains on disposal of investments		25,165,531	19,405,329
Amounts written off fixed asset investments	7	(1,918,737)	(1,383,000)
Fee Income		15,679	10,000
Interest payable	3	(4,017,929)	(4,817,564)
Other operating expenses	4	(1,977,689)	(1,371,717)
Profit on ordinary activities before taxation		<u>35,797,565</u>	<u>26,310,019</u>
Taxation	5	(3,073,307)	(4,427,927)
Profit on ordinary activities after taxation		<u>32,724,258</u>	<u>21,882,092</u>
Ordinary dividend – paid		(2,500,000)	(7,800,000)
- proposed		(27,500,000)	(16,500,000)
Retained profit/(loss) for the period		<u>2,724,258</u>	<u>(2,417,908)</u>
Profit and loss account at 1 March 2001		2,906,320	5,324,228
Profit and loss account at 31 December 2001		<u><u>5,630,578</u></u>	<u><u>2,906,320</u></u>

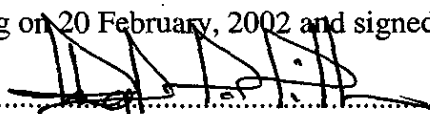
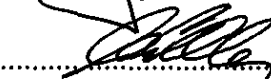
All gains and losses arising during the period have been recognised in the profit and loss account and derive from continuing operations of the Company.

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

BALANCE SHEETAs at 31 December 2001

	<u>Notes</u>	<u>£</u>	<u>Dec 2001</u> <u>£</u>	<u>Feb 2001</u> <u>£</u>
<u>Fixed Assets</u>				
Investments in subsidiary undertakings	6		169,188,107	168,583,693
Listed investments	7		29,890,316	14,802,827
Unlisted investments	7		414,729,903	282,580,188
			<u>613,808,326</u>	<u>465,966,708</u>
<u>Current Assets</u>				
Amount due from group undertakings		16,228,622		12,902,709
Other debtors and accrued income		1,298,591		2,765,833
		<u>17,527,213</u>		<u>15,668,542</u>
<u>Creditors: amounts falling due within one year</u>				
Amount due to parent undertaking		(611,218,921)		(464,701,120)
Amounts due to subsidiary undertakings		(4,704,954)		(4,704,954)
Accruals and other creditors		(1,328,543)		(280,906)
Corporation tax		(2,907,543)		(4,229,450)
		<u>(620,159,961)</u>		<u>(473,916,430)</u>
<u>Net Current Liabilities</u>			(602,632,748)	(458,247,888)
<u>Total Assets less Current Liabilities</u>			<u>11,175,578</u>	<u>7,718,820</u>
<u>Provisions for Liabilities and Charges</u>				
Other Provisions	8		(3,545,000)	(2,812,500)
<u>Net Assets</u>			<u>7,630,578</u>	<u>4,906,320</u>
<u>Share Capital and Reserves</u>				
Share capital	9		2,000,000	2,000,000
Profit and loss account			5,630,578	2,906,320
<u>Equity Shareholders' Funds</u>	10		<u>7,630,578</u>	<u>4,906,320</u>

Approved by the board at a meeting on 20 February, 2002 and signed on its behalf by:

  
.....Director  
  
.....Director

The notes on pages 7 to 11 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 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. Investment fund management costs are capitalised and written off over the projected life of the investment fund.

1.3 Income from investments

Dividend income is brought into account when declared. 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

	10 months to 31 Dec 2001			12 months to 28 Feb 2001		
	Listed £	Unlisted £	Total £	Listed £	Unlisted £	Total £
Shares	785,517	9,346,322	10,131,839	1,456,784	2,304,028	3,760,812
Others	-	786,356	786,356	-	1,141,159	1,141,159
	<u>785,517</u>	<u>10,132,678</u>	<u>10,918,195</u>	<u>1,456,784</u>	<u>3,445,187</u>	<u>4,901,971</u>

Of the income from shares, £10,131,839 is franked income (Feb 2001: £3,760,812), £nil is unfranked income (Feb 2001: £nil) and tax credits of £nil (Feb 2001: £nil) are included.



NOTES TO THE ACCOUNTS (Continued)

3. <u>Interest payable</u>	<u>10 months to</u> <u>31 Dec 2001</u> £	<u>12 months to</u> <u>28 Feb 2001</u> £
Interest payable to group undertakings	4,017,929	4,817,564
	<u>4,017,929</u>	<u>4,817,564</u>
4. <u>Other operating expenses</u>	<u>10 months to</u> <u>31 Dec 2001</u> £	<u>12 months to</u> <u>28 Feb 2001</u> £
Other operating expenses comprises :		
General provision	732,500	510,000
Management fees (note 7)	1,012,000	857,000
Audit fees	3,525	3,525
Other operating expenses	229,664	1,192
	<u>1,977,689</u>	<u>1,371,717</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>10 months to</u> <u>31 Dec 2001</u> £	<u>12 months to</u> <u>28 Feb 2001</u> £
Corporation tax	3,073,543	4,421,280
(Over)/Under provision in earlier periods	(236)	6,647
	<u>3,073,307</u>	<u>4,427,927</u>

6. Investments in subsidiary undertakings

	<u>Dec 2001</u> £
At cost as at 1 March 2001	168,583,693
Additions in the period	604,414
At cost as at 31 December 2001	<u>169,188,107</u>

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
Above Bar (Southampton) Ltd	Property Letting	100
First Welsh General Investment Trust Limited	Investment	100
Riclab Limited	Property Letting	90
SFE Investments Ltd	Investment	100
Uberior Infrastructure Investments Ltd	Investment	100
BOS Capital Funding LP	Debt Issuance	100
HBOS Capital Funding LP	Debt Issuance	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 1 March 2001	14,802,827	86,010,412	196,569,776	282,580,188
Additions	21,154,745	73,370,403	100,919,028	174,289,431
Amounts written off	-	(60,000)	(1,858,737)	(1,918,737)
Capitalised Management Fees released (note 4)	-	-	(1,012,000)	(1,012,000)
Disposals	(6,067,256)	(17,956,538)	(21,252,441)	(39,208,979)
As at 31 December 2001	<u>29,890,316</u>	<u>141,364,277</u>	<u>273,365,626</u>	<u>414,729,903</u>

Market value of listed investments amounted to £18,526,000 (Feb 2001: £18,372,000). The listed investments are listed on the London Stock Exchange. The cumulative amount written off the cost of unlisted investments is £3,301,737 (Feb 2001: £8,473,000) and the cumulative amount written off listed investments is £nil (Feb 2001 £nil).

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>
Cala Group Ltd	"C1" Ordinary	100	UK
	"C2" Ordinary	100	
	"D" Ordinary	100	
Fusion Securities Ltd	"B" Ordinary	100	UK
Glasgow Harbour Ltd	"A" Ordinary	100	UK
Ocean Terminal Ltd	"B" Ordinary	100	UK
Sapphire Retail Fund Ltd	"B" Ordinary	100	UK
UK Retail Portfolio Ltd	"B" Ordinary	100	UK

The above information is given only in respect of the undertakings whose results or financial position principally affects the figures in the accounts.

8. Other Provisions

	£
Provision at 1 March 2001	2,812,500
Provided during the period	732,500
Provision at 31 December 2001	<u>3,545,000</u>

The provision at 31 December 2001 represents a general provision against investments and undrawn commitments.

NOTES TO THE ACCOUNTS (Continued)9. Share capital

	<u>Dec 2001</u> <u>£</u>	<u>Feb 2001</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>Dec 2001</u> <u>£</u>	<u>Feb 2001</u> <u>£</u>
Profit after taxation for the period	32,724,258	21,882,092
Dividends	(30,000,000)	(24,300,000)
Net movement in Equity Shareholders' Funds	<u>2,724,258</u>	<u>(2,417,908)</u>
Equity Shareholders' Funds at 1 March 2001	4,906,320	7,324,228
Equity Shareholders' Funds at 31 December 2001	<u>7,630,578</u>	<u>4,906,320</u>

11. Other contingent liabilities

The company has committed £680.9 million (Feb 2001 - £484.2 million) as a limited partner in venture capital funds of which £460.1 million (Feb 2001 - £310.5 million) is undrawn.

12. Cash flow statement

The Company has taken advantage of the exemption available under Financial Reporting Standard 1 not to prepare a cash flow statement as it is over 90% owned by the HBOS plc group.

13. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with related parties that are part of the HBOS plc group.

14. Parent undertakings

The Company's parent undertaking is The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695, and its ultimate parent undertaking is HBOS plc. The Company is included in the group accounts of HBOS plc 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 period 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF UBERIOR INVESTMENTS PLC

We have audited the accounts on pages 5 to 11.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report, and, as described on page 12 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 1985. 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 audit 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 31 December 2001 and of its profit for the period 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**

*20 February 2002*