

UBERIOR INVESTMENTS PLC

REPORT AND ACCOUNTS

28th February, 2001

COMPANY NUMBER 73998



REPORT OF THE DIRECTORSDirectors

P A Burt (Chairman)	G G Masterton
J S Hunter	C Matthew
W G McQueen	H C McMillan
P Cummings	R J Mee
J P Malcolm	M Wooderson

The Directors submit their report and audited accounts of the Company for the year ended 28th February, 2001.

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 £26,310,019 for the year (2000 - £67,260,041).

After taxation, the profit for the year amounted to £21,882,092 (2000 - £64,136,932). Interim dividends were paid in the year, amounting to £7,800,000 (2000 - £60,180,000). The Directors recommend a final dividend of £16,500,000 (2000 - £5,000,000).

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 62 (2000 - 39) venture capital funds. In addition the Company has invested in several new associate companies and joint ventures including Frenchgate Interchange, Moorfield (Atlantic Point), Northwood Residential and PPG Lothian.

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, 2001 was 30 days (2000 - 30 days).

Directors and their interests

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

I W St C Scott resigned on 30th September, 2000.

The following directors were appointed on 1st January, 2001:

P Cummings	H C McMillan
J P Malcolm	R J Mee
G G Masterton	M Wooderson
C Matthew	

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 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 1st March, 2000</u>	<u>At 28th February, 2001</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
P A Burt	302,158	482,588
J S Hunter	174,536	177,409
W G McQueen	52,731	54,233
P Cummings*	17,657	19,458
J P Malcolm*	9,422	9,422
G G Masterton*	588,830	591,991
C Matthew*	39,704	39,704
H C McMillan*	36,739	36,741
R J Mee*	64,910	63,413
M Wooderson*	2,266	2,266

*At Date of Appointment

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 2001 as follows:-

Executive Stock Options held by Directors

	<u>#Options</u> <u>held as at</u> <u>1st March</u> <u>2000</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>2001</u>
P A Burt	455,000	165,000	180,000	440,000
J S Hunter	67,000	29,000	-	96,000
W G McQueen	160,000	75,000	-	235,000
P Cummings	37,500	35,000	-	72,500
J P Malcolm	118,000	-	73,000	45,000
G G Masterton	372,000	-	280,000	92,000
C Matthew	161,000	80,000	-	241,000
H C McMillan	59,800	24,000	-	83,800
R J Mee	55,000	65,000	-	120,000
M Wooderson	5,000	30,000	-	35,000

Ordinary Stock units of 25p each

Directors and their Interests (continued)Savings Related Stock Options held by Directors

	<u>#Options held as at 1st March 2000</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 2001</u>
J S Hunter	11,783	1,057	952	11,888
W G McQueen	-	3,571	-	3,571
P Cummings	5,472	1,214	3,496	3,190
G G Masterton	3,161	-	3,161	-
H C McMillan	5,360	585	1,348	4,597
R J Mee	7,355	-	-	7,355
M Wooderson	-	3,571	-	3,571

Ordinary Stock units of 25p each
No options lapsed during the year.


Company Secretary

Lysanne J W Black resigned on 1st January, 2001 and was replaced on that date by A I Macrae.

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.

3rd April, 2001

Registered Office

Level 7,
Orchard Brae House,
30 Queensferry Road,
Edinburgh.
EH4 2UG

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 2001

	<u>Notes</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Income from investments in subsidiary undertakings		9,565,000	54,805,000
Income from other fixed asset investments	2	4,901,971	3,254,408
Gains on disposal of investments		19,405,329	13,894,805
Amounts written off fixed asset investments	7	(1,383,000)	(499,814)
Fee Income		10,000	-
Interest payable	3	(4,817,564)	(1,886,574)
Other operating expenses	4	(1,371,717)	(2,307,784)
Profit on ordinary activities before taxation		26,310,019	67,260,041
Taxation	5	(4,427,927)	(3,123,109)
Profit on ordinary activities after taxation		21,882,092	64,136,932
Ordinary dividend – paid		(7,800,000)	(60,180,000)
- proposed		(16,500,000)	(5,000,000)
Retained (loss)/profit for the year		(2,417,908)	(1,043,068)
Profit and loss account at 1st March, 2000		5,324,228	6,367,296
Profit and loss account at 28th February, 2001		2,906,320	5,324,228

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, 2001

	<u>Notes</u>	<u>2001</u>	<u>2000</u>
		<u>£</u>	<u>£</u>
<u>Fixed Assets</u>			
Investments in subsidiary undertakings	6	168,583,693	168,582,693
Listed investments	7	14,802,827	11,591,244
Unlisted investments	7	282,580,188	179,300,160
		<u>465,966,708</u>	<u>359,474,097</u>
<u>Current Assets</u>			
Amount due from group undertakings		12,902,709	4,995,000
Other debtors and accrued income		2,765,833	1,865,562
		<u>15,668,542</u>	<u>6,860,562</u>
<u>Creditors: amounts falling due within one year</u>			
Amount due to parent undertaking		(464,701,120)	(349,443,147)
Amounts due to subsidiary undertakings		(4,704,954)	(4,712,580)
Accruals		(280,906)	(480,521)
Corporation tax		(4,229,450)	(2,071,683)
		<u>(473,916,430)</u>	<u>(356,707,931)</u>
<u>Net Current Liabilities</u>		<u>(458,247,888)</u>	<u>(349,847,369)</u>
<u>Total Assets less Current Liabilities</u>		<u>7,718,820</u>	<u>9,626,728</u>
<u>Provisions for Liabilities and Charges</u>			
Other Provisions	8	(2,812,500)	(2,302,500)
<u>Net Assets</u>		<u>4,906,320</u>	<u>7,324,228</u>
<u>Share Capital and Reserves</u>			
Share capital	9	2,000,000	2,000,000
Profit and loss account		2,906,320	5,324,228
<u>Equity Shareholders' Funds</u>	10	<u>4,906,320</u>	<u>7,324,228</u>

Approved by the board at a meeting on 3rd April, 2001 and signed on its behalf by:

..... *W.G. McQueen* Director

..... *S.M. Uto* Director

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. 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

	2001			2000		
	Listed £	Unlisted £	Total £	Listed £	Unlisted £	Total £
Shares	1,456,784	2,304,028	3,760,812	891,047	2,189,624	3,080,671
Others	-	1,141,159	1,141,159	-	173,737	173,737
	<u>1,456,784</u>	<u>3,445,187</u>	<u>4,901,971</u>	<u>891,047</u>	<u>2,363,361</u>	<u>3,254,408</u>

Of the income from shares, £3,760,812 is franked income (2000: £3,080,671), £nil is unfranked income (2000: £nil) and tax credits of £nil (2000: £329,612) are included. Under FRS 16 (effective 23rd March, 2000) dividends are shown net of tax credits. The comparative figures have not been adjusted for this change in accounting treatment.

NOTES TO THE ACCOUNTS (Continued)

3. <u>Interest payable</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Interest payable to group undertakings	4,817,564	1,886,531
Other interest payable	-	43
	<u>4,817,564</u>	<u>1,886,574</u>

4. <u>Other operating expenses</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Other operating expenses comprises :		
General provision	510,000	2,302,500
Management fees (note 7)	857,000	-
Audit fees	3,525	3,525
Other operating expenses	1,192	1,759
	<u>1,371,717</u>	<u>2,307,784</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

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Corporation tax	4,421,280	2,939,404
Tax credits on franked investment income	-	329,612
Under/(Over) provision in earlier years	6,647	(145,907)
	<u>4,427,927</u>	<u>3,123,109</u>

6. Investments in subsidiary undertakings

	<u>2001</u> <u>£</u>
At cost as at 1st March, 2000	168,582,693
Additions in the year	1,000
At cost as at 28th February, 2001	<u>168,583,693</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
Riclab Limited	Property Letting	90
SFE Investments Ltd	Investment	100
BOS 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 1st March, 2000	11,591,244	68,734,257	110,565,903	179,300,160
Additions	3,211,583	20,548,781	103,183,975	123,732,756
Amounts written off	-	-	(1,383,000)	(1,383,000)
Capitalised Management Fees released (note 4)	-	-	(857,000)	(857,000)
Disposals	-	(3,272,626)	(14,940,102)	(18,212,728)
As at 28th February, 2001	<u>14,802,827</u>	<u>86,010,412</u>	<u>196,569,776</u>	<u>282,580,188</u>

Market value of listed investments amounted to £18,372,000 (2000: £18,681,000). The listed investments are listed on the London Stock Exchange. The cumulative amount written off the cost of unlisted investments is £8,473,000 (2000: £7,090,000) and the cumulative amount written off listed investments is £nil (2000 £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>
		<u>%</u>	
Cala Group Ltd	"C1" Ordinary	100	UK
	"C2" Ordinary	100	
	"D" Ordinary	100	
Harrock PLC	"B" Ordinary	100	UK
Ocean Terminal Ltd	"B" Ordinary	100	UK

8. Other Provisions

	£
Provision at 1st March, 2000	2,302,500
Provided during the year	510,000
Provision at 28th February, 2001	<u>2,812,500</u>

The provision at 28th February, 2001 represents a general provision against investments and undrawn commitments.

NOTES TO THE ACCOUNTS (Continued)9. Share capital

	<u>2001</u> <u>£</u>	<u>2000</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>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Profit after taxation for the year	21,882,092	64,136,932
Dividends	(24,300,000)	(65,180,000)
Net movement in Equity Shareholders' Funds	<u>(2,417,908)</u>	<u>(1,043,068)</u>
Equity Shareholders' Funds at 1st March, 2000	7,324,228	8,367,296
Equity Shareholders' Funds at 28th February, 2001	<u>4,906,320</u>	<u>7,324,228</u>

11. Other contingent liabilities

The company has committed £484.2 million (2000 - £332.0 million) as a limited partner in venture capital funds of which £310.5 million (2000 - £227.8 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 28th February 2001 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 2001