

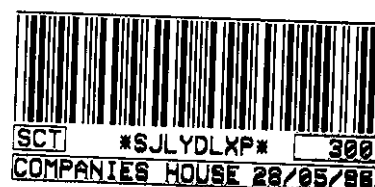
UBERIOR INVESTMENTS PLC

REPORT AND ACCOUNTS

29TH FEBRUARY, 1996

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COMPANY NUMBER 73998



Directors

Sir Bruce Pattullo (Chairman)

P. A. Burt

J. R. Browning

J.S. Hunter

The Directors submit their report and statement of accounts of the Company for the year ended 29th February, 1996.

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 £7,607,634 for the year (1995: £7,507,763).

After taxation, the profit for the year amounted to £4,964,326 (1995: £6,197,342). The Directors recommend payment of a dividend for the year of £10,693,398.

In the year under review the company expanded its investment portfolio with the main acquisitions being a 40% interest in Paragon Hotels Ltd and a 100% interest in each of SFE Investments Ltd, an investment company, and Above Bar (Southampton) Ltd, a property company. In addition, the company disposed of its interest in FIM Holdings Srl, the cost of which had previously been written off, and acquired a direct interest in its operating subsidiary FIM Spa. Further investment to support the operations of that latter company was written off in the year.

The Directors consider the Company's position at the end of the year to be satisfactory.

Directors and their interests

The Directors at the date of this report are stated above. In addition, Mr A.J.R Thomson and Mr H.K. Young served as Directors throughout the year until their resignation on 27th October 1995 and 15th March, 1996 respectively. Mr J.S. Hunter was appointed a Director on 15th March, 1996. All other Directors served throughout the year.

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 28th February, 1995</u>	<u>At 29th February, 1996</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
Sir Bruce Pattullo	230,901	224,851
P. A. Burt	142,410	146,229
J. R. Browning	44,086	48,945
H. K. Young	59,609	68,462

Directors and their interests (continued)

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 29th February, 1996 as follows:-

Executive Stock Options

	At 1 Mar 95	Granted	Exercised	At 29 Feb 96	Weighted Average Exercise Price	Market Price at Date of Exercise	Closing Weighted Average Exercise Price	Dates Options Exercisable
Sir Bruce Pattullo	804,301	96,000	-	900,301	-	-	139.7p	1996-2005
P.A. Burt	571,145	72,000	-	643,145	-	-	142.8p	1996-2005
J.R. Browning	340,546	48,000	-	388,546	-	-	150.4p	1996-2005
H. K. Young	325,791	-	205,791	120,000	92.7p	222.5p	149.3p	1996-2003

Bank of Scotland policy is to make an annual grant of options over the ten year life of the Executive Stock Option Scheme. Options were granted in October at a price of 259.83p per ordinary stock unit, being the average market price for the first three dealing days on which the ordinary stock was quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. For earlier years, options were granted at the average market price for the three dealing days immediately prior to the date on which invitations to apply for options were issued. No options lapsed during the year.

The market price of the ordinary stock at 29th February 1996 was 276.5p per ordinary stock unit and the range during the year was 196.5p to 312.0p per ordinary stock unit.

Auditors

The Company's Auditors, Ernst and Young, Chartered Accountants have signified their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board,



L.J.W. Black
Secretary.

16 April, 1996

Registered Office

The Mound,
Edinburgh,
EH1 1YZ.

For the year ended 29th February 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
Income from investments in subsidiary undertaking		10,041,973	8,809,465
Income from other fixed asset investments	2	856,178	8,067,079
Gain on cancellation of long term loans		-	1,995,289
Other operating income	3	24,251	656,321
Interest payable	4	(1,272)	(11,517,492)
Other operating expenses	5	(3,313,496)	(502,899)
Profit on ordinary activities before taxation		7,607,634	7,507,763
Taxation	6	2,643,308	1,310,421
Profit on ordinary activities after taxation		4,964,326	6,197,342
Dividend proposed on equity shares		10,693,398	11,275,000
Deficit for year		(5,729,072)	(5,077,658)
Reserves at 1st March 1995		17,053,160	22,130,818
Reserves at 29th February 1996		11,324,088	17,053,160
<u>Statement of Total Recognised Gains and Losses</u>		<u>1996</u>	<u>1995</u>
Retained loss for the year		(5,729,072)	(5,077,658)
Exchange translation gain		-	4,622,672
Total recognised losses and gains for the year		(5,729,072)	(454,986)


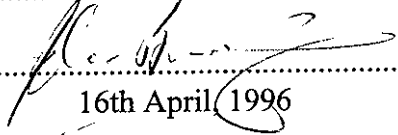
All losses and gains arising during the year derive from continuing operations of the company.

The notes on pages 5 to 10 form part of these accounts

BALANCE SHEET

As at 29th February, 1996

	Notes	1996 £	1995 £
<u>Fixed Assets</u>			
Investments in subsidiary undertakings	7	1,695,000	50,000
Listed investments	8	5,119,685	5,119,685
Unlisted investments	8	21,125,066	5,325,017
		27,939,751	10,494,702
<u>Current Assets</u>			
Amount due by parent undertaking		-	13,682,313
Amount due by subsidiary undertaking		10,041,973	8,809,465
Other debtors and accrued income		316,675	747,659
Deferred taxation	9	-	2,459,778
		10,358,648	25,699,215
<u>Creditors: amounts falling due within one year</u>			
Amount due to parent undertaking		14,252,427	5,343,287
Accruals and deferred income		7,782	166,096
Corporation tax payable 1st December 1996		20,704	356,374
Dividend Payable		10,693,398	11,275,000
		24,974,311	17,140,757
<u>Net Current (Liabilities)/Assets</u>		(14,615,663)	8,558,458
<u>Total Assets less Current Liabilities</u>		13,324,088	19,053,160
<u>Share Capital</u>			
	10	2,000,000	2,000,000
<u>Reserves</u>			
		11,324,088	17,053,160
<u>Equity Shareholders' Funds</u>	11	13,324,088	19,053,160

 Director
 Director
16th April 1996

The notes on pages 5 to 10 form part of these accounts

1. Accounting Policies

1.1 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 Foreign currencies

Income and expenditure are translated into sterling at the rate of exchange ruling at the date of the transaction.

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling on the balance sheet date or at the forward exchange rate, as appropriate. Exchange differences arising on the translation of fixed assets are taken to reserves except to the extent that they are offset by corresponding differences arising on the translation of related borrowing. All other exchange differences are included in operating profit.

1.5 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. Deferred taxation is provided on the liability method.

2. Income from investments

	1996			1995		
	Listed £	Unlisted £	Total £	Listed £	Unlisted £	Total £
Shares	602,224	211,907	814,131	592,647	61,003	653,650
Others	-	42,047	42,047	459,767	6,953,662	7,413,429
	<u>602,224</u>	<u>253,954</u>	<u>856,178</u>	<u>1,052,414</u>	<u>7,014,665</u>	<u>8,067,079</u>

All of the income from shares is franked income. Included in income from unlisted investments in 1995 was £6,924,004 in respect of income on a Bond receivable from the parent undertaking.

3. <u>Other Operating Income</u>	1996	1995
	£	£
Other operating income comprises:-		
Gain on disposal of investments	-	633,829
Interest received	24,251	22,492
	<hr/>	<hr/>
	24,251	656,321
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4. <u>Interest Payable</u>		
Interest on long term loans -		
Interest on A\$ 255m Loan Notes	-	9,758,877
Discount on Zero coupon bonds	-	1,758,615
Interest on Bank Loans	1,272	-
	<hr/>	<hr/>
	1,272	11,517,492
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5. <u>Other Operating Expenses</u>		
Other operating expenses comprises :		
Costs relating to cancellation of A\$ 255 million Loan Notes and Zero Coupon Bonds	-	345,528
Amounts written off book value of investments	3,304,361	147,059
Audit fees	1,500	2,000
Other operating expenses	7,635	8,312
	<hr/>	<hr/>
	3,313,496	502,899
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The company has no employees and none of the directors receives any emoluments from the Company.

NOTES TO THE ACCOUNTS (Continued)6. Taxation

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

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Corporation tax at 33% (1995 - 33%)	20,704	266,944
Deferred taxation	2,459,778	4,570
	<hr/>	<hr/>
	2,480,482	271,514
Tax credits on franked investment income	162,826	123,455
Under provision in previous years	-	915,452
	<hr/>	<hr/>
	2,643,308	1,310,421
	<hr/>	<hr/>

7. Investments in subsidiary undertakings

	<u>1996</u>
	<u>£</u>
At cost as at 1st March, 1995	50,000
Acquired during year	1,645,000
	<hr/>
At cost as at 29th February, 1996	1,695,000
	<hr/>

Details of the subsidiary undertakings are noted below:-

<u>Name of Company</u>	<u>Country of Registration</u>	<u>Principal Business</u>	<u>% of Ordinary Shares Held</u>
Bank of Scotland Insurance Services Ltd.	Scotland	Insurance Broking	100
SFE Investments Ltd	England	Investment	100
Above Bar (Southampton) Limited	Scotland	Property 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)8. Investments

	Listed	Unlisted		
	Investments	Shares	Other Investments	Total Unlisted Investments
	£	£	£	£
As at 1st March, 1995	5,119,685	4,766,132	558,885	5,325,017
Additions	-	19,104,409	-	19,104,409
Amount written off		(3,304,360)	-	(3,304,360)
As at 29th February, 1996	<u>5,119,685</u>	<u>20,566,181</u>	<u>558,885</u>	<u>21,125,066</u>

Market value of listed
investments and Directors'
estimated value of others:

	£	£
1996	5,741,000	21,384,000
1995	5,546,000	4,967,000

The listed investments are all listed on the London Stock Exchange.

The cumulative amount written off the cost of unlisted investments is £10,762,229 (1995: £7,457,869).

The principal unlisted investments are:

<u>Name of Company</u>	<u>Country of Registration/ Incorporation</u>	<u>Class of Shares</u>	<u>Proportion of Class Held</u> %
QBOS Card Services Gmbh	Germany	Ordinary	49.9
Paragon Hotels Ltd	England	"B" Ordinary	100
		"C" Ordinary	100
		Preference	100
Advance Payroll Services Ltd	Scotland	"B" Ordinary	50

NOTES TO THE ACCOUNTS (Continued)

9. <u>Deferred Tax Asset</u>	£	
As at 1st March, 1995	2,459,778	
Charge for year	(2,459,778)	
	<hr/>	
As at 29th February, 1996	-	
	<hr/>	
10. <u>Share Capital</u>	<u>1996</u>	<u>1995</u>
	£	£
Authorised		
100 million ordinary shares of £1	100,000,000	100,000,000
	<hr/>	<hr/>
Allotted, issued and fully paid		
2 million ordinary shares of £1	2,000,000	2,000,000
	<hr/>	<hr/>
11. <u>Reconciliation of movements in Equity Shareholders' Funds</u>	<u>1996</u>	<u>1995</u>
	£	£
Profit after taxation for the year	4,964,326	6,197,342
Dividends	(10,693,398)	(11,275,000)
Other recognised gains and losses	-	4,622,672
	<hr/>	<hr/>
	(5,729,072)	(454,986)
Equity Shareholders' Funds at 1st March, 1995	19,053,160	19,508,146
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Equity Shareholders' Funds at 29th February, 1996	13,324,088	19,053,160
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NOTES TO THE ACCOUNTS (Continued)13. Contingent Liability

The Company has a contingent liability in respect of a guarantee of bank lending to an associated undertaking. The Company has guaranteed 49.9% of the amount outstanding up to a maximum of DM 5,988,000 together with related interest, until 31st January, 1997. At 29th February, 1996 the amount outstanding amounted to DM 1,221,200 .

14. 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.

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 3 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 3 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

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.

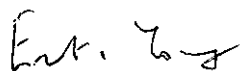
Basis of opinion

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 29th February, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants,
Registered Auditor,
Edinburgh.

16 April, 1996