

STANDARD PROPERTY
INVESTMENT(1987) LIMITED

REPORT AND ACCOUNTS

28TH FEBRUARY, 1995

COMPANY NUMBER 102845

4.



REPORT OF THE DIRECTORSDirectors

G. G. Masterton
J. Barkley
P.A. Bradley

The Directors have pleasure in submitting their report and the audited accounts of the Company for the year ended 28th February, 1995.

Results for the year

The company made neither a profit nor a loss in the year. Consequently, the Directors do not recommend the payment of a dividend.

Review of operations

The company was established to finance mortgage lending and no change is expected in that activity.

Details of the investment in mortgage advances are stated in Note 3 to the Accounts. The Directors consider that the company's position at 28th February, is satisfactory.

Directors and their interests

The Directors at the date of this report are stated above. Mr J. Barkley and Miss P.A. Bradley were appointed Directors on 18th August, 1994. In addition, Mr C. D. Leslie and Mr I. MacIntyre served as Directors until their resignations on 18th August, 1994. No Director had an interest in the shares of the Company, nor in the Preference Stocks of The Governor and Company of Bank of Scotland ("Bank of Scotland"), the Company's parent undertaking nor in the shares of any other undertakings in the Bank of Scotland group, at any time during the year.

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

	<u>At 28th February, 1994</u> <u>or at date of appointment</u>		<u>At 28th February, 1995</u>	
	<u>Ordinary Stock Units of 25p each</u>		<u>Ordinary Stock Units of 25p each</u>	
	<u>Beneficially owned</u>	<u>Not Beneficially Owned</u>	<u>Beneficially Owned</u>	<u>Not Beneficially Owned</u>
G. G. Masterton	118,091	25,000	105,239	25,000
J. Barkley	53,905	-	51,559	-
P.A. Bradley	335	-	335	-

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 1995 as follows:-

Directors and their interests (continued)

<u>Executive Stock Options</u>					Closing Weighted Average Exercise Price (p)	Date Options Exercisable
	At 1 Mar 94	Granted	Exercised	At 28 Feb 95		
G.G. Masterton	303,087	75,000	-	378,087	138.7	1995 - 2004
J. Barkley	56,000	18,000	-	74,000	154.0	1995 - 2004
P.A. Bradley	-	3,000	-	3,000	201.5	1997 - 2004

No options lapsed during the year. Options were granted during the year at a price of 201.5p per share. The exercise price for options granted under the Executive Stock Option Scheme is the market price at the date of grant without deduction of any discount.

Savings Related Stock Options

	At 1 Mar 94	Granted	Exercised	At 28 Feb 95	Closing Weighted Average Exercise Price (p)	Market Price at Date of Exercise	Date Options Exercisable
G. G. Masterton	9,258	-	4,740	4,518	124.1	207.0p	1995 - 2001
J. Barkley	8,149	528	2,026	6,651	89.7	208.0p	1995 - 2002
P.A. Bradley	-	1,754	-	1,754	163.6	-	1999 - 2002

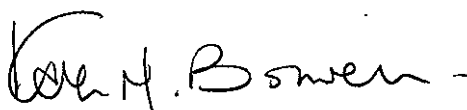
No options lapsed during the year. Options were granted during the year at a price of 163.6p per share. The exercise price for options granted under the Savings Related Stock Option Scheme is 80% of the market price at the date of grant.

The market price of the shares at 28th February, 1995 was 203.0p and the range during the year was 172.5p - 247.0p per share.

Auditors

In accordance with the provisions of Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst and Young will continue in office as auditors.

By Order of the Board,



K. M. Bothwell,
Secretary.

11 April, 1995

Registered Office
The Mound,
EDINBURGH,
EH1 1YZ

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1995

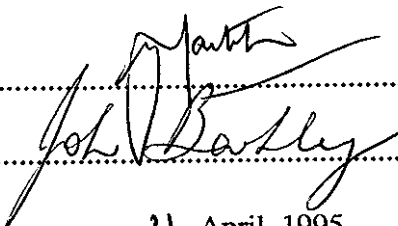
	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
Interest receivable	1	1,217,650	1,581,511
Interest payable on bank loans	1	(1,060,102)	(1,415,388)
Operating expenses	2	(157,548)	(166,123)
		<hr/>	<hr/>
Profit for the year before and after taxation		-	-
		=====	=====

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 6 and 7 form part of these accounts.

BALANCE SHEETAs at 28th February, 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
<u>Fixed Assets</u>			
<u>Investments</u>			
Mortgage portfolio	3	9,895,324	11,925,793
<u>Current Assets</u>			
Trade debtors		910	-
Accrued interest income		53,421	56,551
Interest in arrears		82,044	65,953
Due by Bank of Scotland		905	60,964
		<u>137,280</u>	<u>183,468</u>
<u>Creditors: Amounts falling due within one year</u>			
Trade creditors		-	(25,292)
Other taxes and social security		(1,748)	(157)
Due to Bank of Scotland		(10,026,756)	(12,077,712)
Other accruals		(4,000)	(6,000)
		<u>(10,032,504)</u>	<u>(12,109,161)</u>
<u>Net current liabilities</u>		(9,895,224)	(11,925,693)
<u>Total assets less current liabilities</u>		<u>100</u>	<u>100</u>
<u>Share Capital</u>			
Authorised, allotted, issued and fully paid			
'A' Ordinary shares of £1 each	5	49	49
'B' Ordinary shares of £1 each	5	51	51
<u>Equity Shareholders' Funds</u>		<u>100</u>	<u>100</u>


.....Director
.....Director
21 April, 1995

.....

The notes on pages 6 and 7 form part of these accounts.

CASH FLOW STATEMENTFor the year ended 28th February, 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
		£	£
<u>Net cash outflow from operating activities</u>	6	(184,159)	(154,589)
<u>Return on investments and servicing of finance</u>			
Interest received		1,204,689	1,640,375
Interest paid		(1,000,043)	(1,470,729)
		<hr/>	<hr/>
		204,646	169,646
<u>Investing activities</u>			
Mortgage repayments		2,030,469	2,652,815
		<hr/>	<hr/>
<u>Increase in cash and cash equivalents</u>	7	<u>2,050,956</u>	<u>2,667,872</u>

The notes on pages 6 and 7 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. Interest receivable and payable is accrued on a daily basis

2. Operating Expenses

	<u>1995</u> £	<u>1994</u> £
Operating expenses includes:		
Audit fees	2,500	6,110
Management fee	155,000	160,001

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

3. Investments

	<u>Mortgage Portfolio</u> £
As at 1st March, 1994	11,925,793
Repayments	(2,030,469)
As at 28th February, 1995	<u>9,895,324</u> =====

4. Contingent Liability

The company has a contingent liability in respect of VAT due by other members of its VAT group.

5. Share Capital.

The 'A' ordinary shares carry 100% of the voting rights. The 'A' and 'B' ordinary shares rank pari passu in all other respects.

NOTES TO THE ACCOUNTS (continued)6. Reconciliation of operating profit to net cash outflow from operating activities

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Operating Expenses	(157,548)	(166,123)
Increase in trade debtors	(910)	-
(Decrease)/Increase in trade and other creditors	(25,701)	11,534
	<hr/>	<hr/>
Net cash outflow from operating activities	(184,159)	(154,589)
	<hr/>	<hr/>

7. Analysis of changes in cash and cash equivalents during the year

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Amount due to Bank of Scotland at 1st March, 1994	(12,077,712)	(14,745,584)
Net Cash Inflow	2,050,956	2,667,872
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Amount due to Bank of Scotland at 28th February, 1995	(10,026,756)	(12,077,712)
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8. Parent Undertaking

The Company's parent undertaking is The Governor and Company of 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 are available 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 or loss for the year. The directors consider that in preparing the financial statements on pages 3 to 7 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
STANDARD PROPERTY INVESTMENT (1987) LIMITED

We have audited the accounts on pages 3 to 7 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 8, 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.

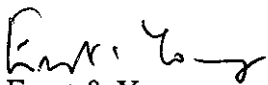
Basis of opinion

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, 1995 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young,
Chartered Accountants,
Registered Auditor
Edinburgh.

11 April, 1995