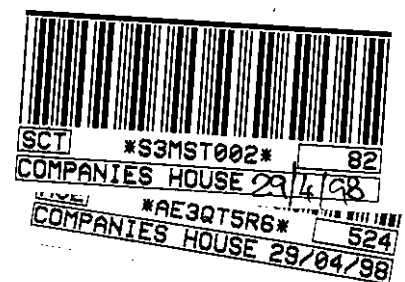


BOS HOLDINGS
(NEW ZEALAND) LIMITED
REPORT AND ACCOUNTS

Year Ended
28th February, 1998

SC
COMPANY NUMBER 138164
^



REPORT OF THE DIRECTORSDirectors

J.S. Hunter

I.W. St.C. Scott

The Directors have pleasure in presenting their Report and the Accounts of the Company for the year ended 28th February, 1998.

Activity

The Company operates as an investment holding company and no change is expected in that activity.

Results and Review of the Business

£'000

The Company made a profit after taxation for the year of

7,371

The Directors recommend payment of a final dividend of

(7,370)

Leaving, to be added to Reserves

1

The Directors consider the Company's state of affairs at 28th February, 1998 to be satisfactory.

Directors and their interests

The Directors at the date of this report are stated above. In addition, Mr J. R. Browning served as a Director until his resignation on 1st September, 1997, when he was replaced by Mr I. W. St.C Scott. The other Director served throughout the year.

None of the Directors 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 parent undertaking, nor in the shares of any other group undertaking at any time during the year.

The Directors' interests in the ordinary stock units of Bank of Scotland, all of which were beneficially owned, were as follows:

	<u>At 28th February, 1997</u> <u>Or at Date of Appointment</u> <u>Ordinary Stock Units of 25p each</u>	<u>At 28th February, 1998</u> <u>Ordinary Stock Units of 25p each</u>
J. S. Hunter	136,330	114,754
I.W.St.C. Scott	184,609	183,997

Directors and their interests (Continued)

Options to subscribe for ordinary stock of the Bank of Scotland were granted to or exercised by Directors in the year to 28th February, 1998 as follows:

Executive Stock Options held by Directors

	<u>#Options held as at 1st March 1997</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 1998</u>
J. S. Hunter	92,000	15,000	-	107,000
I. W. St. C. Scott	213,000	24,000	-	237,000

Ordinary Stock units of 25p each

Bank of Scotland policy is to make an annual grant of options over the ten year life of the Executive Stock Option Scheme.

Savings Related Stock Options held by Directors

	<u>#Options held as at 1st March 1997</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 1998</u>
J. S. Hunter	11,784	666	-	12,450

Ordinary Stock units of 25p each

Auditors

Ernst & Young have indicated 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

Registered Office:

3 April 1998

The Mound,
Edinburgh.

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1998

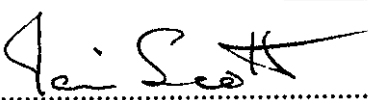
	Note	1998 £'000	1997 £'000
Dividend income from shares in subsidiary		7,833	9,789
Foreign exchange loss		(34)	(17)
Operating charges		(1)	(1)
Profit on ordinary activities before taxation	2	<u>7,798</u>	<u>9,771</u>
Taxation	3	(427)	(780)
Profit on ordinary activities after taxation		<u>7,371</u>	<u>8,991</u>
Dividend on equity shares :-			
Proposed		7,370	8,990
Retained Profit of the year		<u>1</u>	<u>1</u>

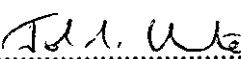
All gains and losses arising during the year have been recognised in the Profit and Loss Account and derive from continuing operations of the Company.

The notes on pages 5 to 7 form part of these accounts.

BALANCE SHEETAs at 28th February, 1998

	Notes	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
<u>Fixed Assets</u>			
Investment in subsidiary undertaking	4	91,036	107,186
<u>Current Assets</u>			
Accrued income		4,854	5,580
<u>Creditors: Amounts falling due within one year</u>			
Amount due to parent undertaking		(84,947)	(99,347)
Corporation tax	6	(412)	(1,269)
Accruals		(1)	(1)
Proposed Dividend		(7,370)	(8,990)
		<u>(92,730)</u>	<u>(109,607)</u>
<u>Net Current Liabilities</u>		<u>(87,876)</u>	<u>(104,027)</u>
<u>Total Assets less Current Liabilities</u>		<u>3,160</u>	<u>3,159</u>
<u>Share Capital and Reserves</u>			
Called up share capital	7	100	100
Reserves	8	3,060	3,059
<u>Equity Shareholders' Funds</u>	9	<u>3,160</u>	<u>3,159</u>

.....Director

.....Director

3 April, 1998

.....

The notes on pages 5 to 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 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.

1.3 Income from Investment

Income from investment in the subsidiary is accrued into revenue in accordance with the period to which it relates.

1.4 Foreign Currencies

Income is converted at the rate ruling on date of receipt or at the relevant forward rate.

Assets and liabilities 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.

2. Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
The profit before taxation is after charging :-		
Audit fee	<u>1</u>	<u>1</u>

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

3. Taxation

The charge for taxation is based on the profit arising from ordinary activities and comprises :-

	1998 £'000	1997 £'000
Corporation tax	3,524	3,435
Less: Double Tax Relief	<u>(3,524)</u>	<u>(3,435)</u>
	-	-
Deferred taxation	-	(686)
Overseas tax	1,175	1,466
Corporation tax - over provision	(748)	-
	<u>427</u>	<u>780</u>

NOTES TO THE ACCOUNTS (Continued)4. Investment in subsidiary undertaking

	<u>£'000</u>
At cost, at 1st March, 1997	107,186
Exchange translation	(16,150)
At cost, at 28th February, 1998	<u>91,036</u>

The investment in subsidiary undertaking comprises 100% of the ordinary share capital of Countrywide Banking Corporation Limited, incorporated in New Zealand.

5. Group Accounts

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.

6. Corporation Tax

	<u>1998 £'000</u>	<u>1997 £'000</u>
Corporation tax recoverable	(316)	432
Overseas taxation	728	837
	<u>412</u>	<u>1,269</u>

7. Share capital

	<u>Issued £'000</u>	<u>Authorised £'000</u>
As at 28th February, 1997 and 28th February, 1998		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

8. Reserves

	<u>Profit and Loss Account £'000</u>	<u>Other Reserves £'000</u>	<u>Total £'000</u>
At 1st March, 1997	62	2,997	3,059
Retained profit of the year	1	-	1
At 28th February, 1998	<u>63</u>	<u>2,997</u>	<u>3,060</u>

NOTES TO THE ACCOUNTS (Continued)9. Reconciliation of Equity Shareholder's Funds

	1998	1997
	<u>£'000</u>	<u>£'000</u>
Profit attributable to Shareholders	7,371	8,991
Dividend	(7,370)	(8,990)
Net movement in Shareholders' Funds	<u>1</u>	<u>1</u>
Equity Shareholders' Funds at 1st March, 1997	3,159	3,158
Equity Shareholders' Funds at 28th February, 1998	<u>3,160</u>	<u>3,159</u>

10. 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

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
BOS HOLDINGS (NEW ZEALAND) 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 5.

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.

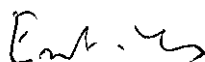
Basis of opinion

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, 1998 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.

3 April, 1998