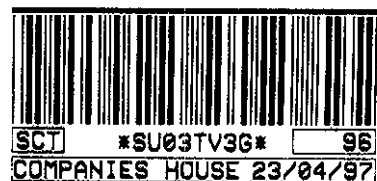


CLIFTON COURT NURSING HOME LIMITED

REPORT AND ACCOUNTS

28th February, 1997

Company Number 145063



REPORT OF THE DIRECTORSDirectors

G. S. Smith
G. E. Mitchell

The Directors have pleasure in submitting their report and statement of accounts of the Company for the year ended 28th February, 1997.

Activity

The Company's principal activity is the operation of a nursing home.

Results and Dividend

The profit for the year after taxation amounted to £20,340 (1996 - loss £99,317). The Directors do not recommend the payment of any dividend.

Directors and their interests

The Directors at the date of this report are stated above. G. C. Grieve served until his resignation on 31st January, 1997 when he was replaced by G. S. Smith.

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 parent undertaking, 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 29th February, 1996</u> <u>or at date of appointment</u> <u>Ordinary Stock Units of 25p each</u>	<u>At 28th February, 1997</u> <u>Ordinary Stock Units of 25p each</u>
G. S. Smith	33,210	33,210
G. E. Mitchell	28,905	26,462

Options to subscribe for ordinary stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 1997 as follows:

Executive Stock Options held by Directors

	# Options held as at 1st March 1996	# Options granted	# Options exercised	# Options held as at 28th February 1997	Weighted average exercise price	Market price at date of exercise	Potential pre-tax gain at date of exercise	Closing weighted average exercise price
					(p)	(p)	£'000	(p)
G. S. Smith	40,500	7,000	-	47,500	-	-	-	186.74
G. E. Mitchell	190,000	50,000	-	240,000	-	-	-	205.72

Ordinary Stock units of 25p each

Directors and their interests (continued)

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

Options granted prior to October 1995 were granted at an exercise price of the average market price for the three dealing days immediately prior to the date on which invitations to apply for options were issued.

Options granted in October 1995 and subsequently were granted at an exercise price of the average market price for the first three dealing days on which the Ordinary Stock is quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. Such options are subject to a performance pre-condition and may be exercised only where growth in earnings per Ordinary Stock unit has exceeded the growth in the General Index of Retail Prices over a period of not less than three consecutive financial years by not less than 2 per cent per annum.

Options were granted in October 1996 at an exercise price of 273.67p per Ordinary Stock unit.

Outstanding options are exercisable between 1997 and 2006. No options lapsed during the year.

Savings Related Stock Options held by Directors

	# Options held as at 1st March 1996	# Options granted	# Options exercised	# Options held as at 28th February 1997	Weighted average exercise price	Market price at date of exercise	Potential pre-tax gain at date of exercise	Closing weighted average exercise price
					(p)	(p)	£'000	(p)
G. S. Smith	2,049	352	-	2,401	-	-	-	150.73

Ordinary Stock units of 25p each

Options granted prior to 1995 were at a 20% discount to the market price on the fourth dealing day after the announcement of the interim results.

Options granted in November 1995 and subsequently are at an exercise price of 80% of 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. Options were granted in November 1996 at an exercise price of 218.93p per Ordinary Stock unit.

Outstanding options are exercisable between 1997 and 2004. No options lapsed during the year.

The market price of the Ordinary Stock at 28th February, 1997 was 341.0p per Ordinary Stock unit and the range during the year was 227.5p to 373.5p.

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,

Lynne W Black

L. J. W. Black,
Secretary.

Registered Office

The Mound,
EDINBURGH, EH1 1YZ

7th April, 1997

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover		431,030	314,155
Operating expenses		(382,874)	(335,724)
Operating profit/(loss)		48,156	(21,569)
Interest paid on loan from parent undertaking		(15,967)	(111,468)
Profit/(Loss) on ordinary activities before taxation	2	32,189	(133,037)
Taxation	3	(11,849)	33,720
Profit/(Loss) on ordinary activities after taxation		20,340	(99,317)
Profit and Loss Account at 1st March, 1996		(256,576)	(157,259)
Profit and Loss Account at 28th February, 1997		<u>(236,236)</u>	<u>(256,576)</u>

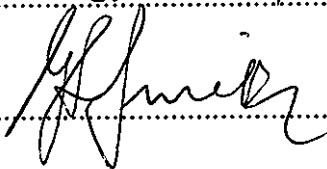
All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the Company.

The notes on pages 6 to 9 form part of these accounts.

BALANCE SHEETAs at 28th February, 1997

		<u>1997</u> £	<u>1996</u> £
	<u>Notes</u>		
<u>Fixed Assets</u>	4	1,408,092	1,419,844
<u>Current Assets</u>			
Debtors		26,002	7,613
Group relief receivable		-	42,738
Cash at bank and in hand		300	400
Prepayments		-	3,221
		<u>26,302</u>	<u>53,972</u>
<u>Creditors: amounts falling due within one year</u>	5	(1,661,219)	(1,721,274)
<u>Net Current Liabilities</u>		<u>(1,634,917)</u>	<u>(1,667,302)</u>
<u>Total Assets less Current Liabilities</u>		(226,825)	(247,458)
<u>Provisions for liabilities and charges</u>			
Deferred taxation	6	(9,311)	(9,018)
<u>Net Liabilities</u>		<u>(236,136)</u>	<u>(256,476)</u>
<u>Share Capital and Reserves</u>			
Share Capital	7	100	100
Profit and Loss account		(236,236)	(256,576)
<u>Equity Shareholders' Funds</u>	8	<u>(236,136)</u>	<u>(256,476)</u>

.....Director

.....Director

7 April, 1997

.....

The notes on pages 6 to 9 form part of these accounts.

NOTES TO THE ACCOUNTS1. Accounting policiesBasis of preparation

The accounts have been prepared on a going concern basis because facilities are currently made available by the parent undertaking which are sufficient to meet the Company's obligations as they fall due.

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with currently applicable accounting standards.

Turnover

Turnover represents fees receivable.

Interest

Interest payable is taken into account when charged and has been capitalised to the extent that it can fairly be attributed to property in the course of construction.

Fixed Assets

The heritable property is stated at cost. The heritable property and integral fixed plant is not depreciated as it is considered that residual values, based on prices prevailing at the time of acquisition, are such that any charge would not be significant. In addition, it is the policy to maintain the property to a high standard with regular maintenance expenditure being charged against operating profit. Depreciation is provided on all other tangible fixed assets on a straight line basis over their expected useful lives as follows:

Fixtures and Fittings	15%
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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. Profit/(Loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging :

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Audit fees	2,400	1,000
Under provision of audit fees - 1996	1,500	-
Depreciation	21,025	21,025
Management fees	<u>29,376</u>	<u>29,376</u>

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

NOTES TO THE ACCOUNTS (continued)3. Taxation

The taxation (charge)/credit is based on the profit/(loss) arising from ordinary activities and comprises:

	<u>1997</u> £	<u>1996</u> £
Corporation tax at 33%	(12,559)	-
Group relief receivable at 33%	-	42,738
Under provision group relief receivable - 1996	1,003	-
Deferred taxation (Note 6)	(293)	(9,018)
	<u>(11,849)</u>	<u>33,720</u>

4. Tangible fixed assets

	<u>Heritable Property</u> £	<u>Fixtures & Fittings</u> £	<u>Total</u> £
<u>Cost</u>			
At 1st March, 1996	1,310,030	140,164	1,450,194
Additions	-	9,273	9,273
At 28th February, 1997	<u>1,310,030</u>	<u>149,437</u>	<u>1,459,467</u>
<u>Depreciation</u>			
At 1st March, 1996	-	30,350	30,350
Charged in the year	-	21,025	21,025
At 28th February, 1997	<u>-</u>	<u>51,375</u>	<u>51,375</u>
<u>Net Book Value</u>			
At 28th February, 1997	<u>1,310,030</u>	<u>98,062</u>	<u>1,408,092</u>
At 1st March, 1996	<u>1,310,030</u>	<u>109,814</u>	<u>1,419,844</u>

Included in the cost of the heritable property is £17,871 (1996 £17,871) relating to capitalised interest.

NOTES TO THE ACCOUNTS (continued)5. Creditors: amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	£	£
Trade creditors	5,835	17,020
Amounts due to parent undertaking	1,635,811	1,675,275
Corporation tax at 33%	12,559	-
Accruals	7,014	28,979
	<u>1,661,219</u>	<u>1,721,274</u>

6. Deferred taxation

The deferred tax provision, which is the full potential deferred tax provision, arises from capital allowances in advance of depreciation. The movement for the year is as follows:

	<u>1997</u>
	£
As at 1st March, 1996	9,018
Profit and Loss account	293
As at 28th February, 1997	<u>9,311</u>

7. Share Capital

	<u>1997</u>	<u>1996</u>
	£	£
<u>Authorised</u>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<u>Issued, called up and fully paid</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

8. Reconciliation of Equity Shareholders' Funds

	<u>1997</u>	<u>1996</u>
	£	£
Profit/(Loss) attributable to shareholders	20,340	(99,317)
Equity Shareholders' Funds at 1st March, 1996	(256,476)	(157,159)
Equity Shareholders' Funds at 28th February, 1997	<u>(236,136)</u>	<u>(256,476)</u>

NOTES TO THE ACCOUNTS (continued)9. 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 consolidated 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 or loss for the year. The Directors consider that in preparing the financial statements on pages 4 to 9 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
CLIFTON COURT NURSING HOME LIMITED

We have audited the accounts on pages 4 to 9, 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 10, 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.

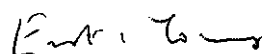
Basis of opinion

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, 1997 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.

7 April, 1997