

UBERIOR FUND INVESTMENTS LIMITED

REPORT AND ACCOUNTS

FOR THE PERIOD FROM 26 AUGUST 2004 TO 31 DECEMBER 2005

*Amended*

Company Number SC272465



Directors

C Richards  
S Morrison  
I Purves  
I Robertson  
G Shankland  
G McDonald  
K Bothwell  
D Gibson

Secretary

A I Macrae

Registered Office

Level 1  
Citymark  
150 Fountainbridge  
EDINBURGH  
EH3 9PE

Auditors

KPMG Audit Plc  
Saltire Court  
20 Castle Terrace  
EDINBURGH  
EH1 2EG

Bankers

Bank of Scotland  
Head Office  
The Mound  
EDINBURGH  
EH1 1YZ

**REPORT OF THE DIRECTORS****Directors**

I Purves  
C Richards  
S Morrison  
K Bothwell

I Robertson  
G Shankland  
G McDonald  
D Gibson

The Directors submit their report and audited accounts of the Company for the period from 26 August 2004 to 31 December 2005.

**Incorporation**

The company was incorporated on 26 August 2004.

**Activity and review of business**

The Company operates as an investment holding company.

**Results and Dividends**

The loss after tax for the Company in the period from 26 August 2004 to 31 December 2005 was £781,764. The Directors do not recommend payment of a dividend.

## REPORT OF THE DIRECTORS (continued)

Directors and their interests

The Directors at the date of this report are as stated on page 2.

Dates of appointment and resignation:

Director	Date of Appointment	Date of Resignation
Jordans (Scotland) Ltd	26 August 2004	8 September 2004
Oswalds of Edinburgh Ltd	26 August 2004	8 September 2004
P J Cummings	8 September 2004	31 October 2005
J Wilson	8 November 2004	31 January 2005
D Lyall	8 November 2004	8 February 2005
I Shanks	8 November 2004	8 February 2005
S Nimmo	8 November 2004	8 February 2005
G McDonald	8 November 2004	-
C Richards	7 February 2005	-
S Morrison	8 February 2005	-
I Purves	8 February 2005	-
I Robertson	8 February 2005	-
G Shankland	8 February 2005	-
K Bothwell	8 February 2006	-
D Gibson	8 February 2006	-

Directors' beneficial interests in the ordinary shares of HBOS plc during the period were as follows:

(References to "HBOS plc shares" are to ordinary shares of 25p each in HBOS plc)

During the period no Director had any beneficial interest in the share capital of the Company or of any other Group undertaking other than in HBOS plc, the ultimate holding company.

The beneficial interests of the Directors and their immediate families in HBOS plc shares are set out below:-

	<u>At 26.08.04</u> <u>or date of appointment if later</u> <u>HBOS plc shares</u>	<u>At 31.12.05</u> <u>HBOS plc shares</u>
C Richards	1,543	3,486
S Morrison	8,043	9,280
I Purves	5,426	9,394
I Robertson	52,902	64,573
G McDonald	10,615	11,698
G Shankland	9,109	18,368

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)Short-term Incentive Plan – HBOS scheme and former Halifax scheme

Certain Directors have conditional entitlements to shares arising from the annual incentive plan. Where the annual incentive for any year was taken in shares and these shares are retained in trust for three years, the following shares will also be transferred to the Directors.

	<u>Grant effective from</u>	<u>Shares as at</u> <u>31.12.05</u>
C Richards	March 2004	676
	March 2005	900
S Morrison	March 2003	1,485
	March 2004	1,355
	March 2005	1,386
I Purves	March 2003	1,419
	March 2004	1,294
	March 2005	1,386
I Robertson	March 2003	1,664
	March 2004	1,603
	March 2005	5,669
G McDonald	March 2003	973
	March 2004	1,724
	March 2005	1,530
G Shankland	March 2003	1,497
	March 2004	2,322
	March 2005	4,254

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)Long-term Incentive Plan – HBOS scheme and former Halifax scheme

Details of the shares which have been conditionally awarded to Directors under the plans are set out below. The conditions relating to the long-term incentive plan may be found in the HBOS plc Annual Report & Accounts 2005

	<u>Grant effective from</u>	<u>At 31.12.04 or date of appointment if later</u>	<u>Granted (G) or lapsed (L) in year</u>	<u>Added as a result of performance</u>	<u>Dividend reinvestment shares</u>	<u>Released in year</u>	<u>At 31.12.05</u>
C Richards	March 2004	6,508	-	-	-	-	6,508
	March 2005	-	6,150 (G)	-	-	-	6,150
I Robertson	August 2002	13,333	-	13,333	4,018	(30,684)	-
	March 2003	17,708	-	-	-	-	17,708
	March 2004	25,104	-	-	-	-	25,104
	March 2005	-	21,428 (G)	-	-	-	21,428
G Shankland	August 2002	5,208	-	5,208	1,568	(11,984)	-
	March 2003	6,640	-	-	-	-	6,640
	March 2004	6,973	-	-	-	-	6,973
	March 2005	-	6,944 (G)	-	-	-	6,944

Shares granted under these plans can crystallise at any level between 0% and 200% of the conditional award noted in the above table, dependant upon performance. The performance period for the January 2002 grant ended on 31 December 2004 and, in the light of the performance outcome, grants were released at 200% of the conditional award. On maturity, dividend reinvestment shares equivalent to approximately 30% of the original conditional grant were also released to participants in accordance with the rules of the plan.

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)Long-term Incentive PlanHIBOS Scheme, former Bank of Scotland scheme and former Halifax Scheme

Share options granted between 1995 and 2000 under the Bank of Scotland Executive Stock Option Scheme 1995 are subject to performance pre-conditions which have now been satisfied. Share options granted under other plans are not subject to a performance precondition. Details of the options outstanding under these plans are set out below.

	<u>Options outstanding at 26.08.04 or date of appointment if later</u>	<u>Granted (G), lapsed (L) or exercised (E) in period</u>	<u>At 31.12.05</u>
C Richards	10,921	-	10,921
S Morrison	11,097	-	11,097
I Purves	10,641	-	10,641
I Robertson	63,500	6,500 (E)	57,000
G McDonald	8,624	3,000 (E)	5,624
G Shankland	18,937	-	18,937

Sharesave Plan

Share options granted under these plans are set out below.

	<u>As at 26.08.04 or date of appointment if later</u>	<u>Granted (G) lapsed (L) or exercised (E) in period</u>	<u>At 31.12.04</u>
C Richards	2,761	-	2,761
S Morrison	2,984	-	2,984
I Purves	2,653	344 (E)	2,309
I Robertson	1,581	1,352 (G)	2,933
G McDonald	3,022	465 (G)	3,487
G Shankland	5,259	1,637 (E)	3,622

Options under these plans were granted using middle market prices shortly before the dates of the grants, discounted by 20%.

REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

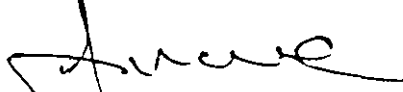
Company Secretary

A I Macrae.

Auditors

KPMG Audit Plc have signified their willingness to continue in office.

By Order of the Board,

  
A I Macrae  
Secretary.

23<sup>rd</sup> June 2006

Registered Office  
Bank of Scotland,  
Level 1  
Citymark  
150 Fountainbridge  
EDINBURGH  
EH3 9PE



**Profit and Loss account****For the period 26 August 2004 to 31 December 2005**

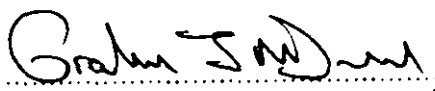
	<b>Note</b>	<b>2005 £</b>
Gain on disposal of investments	2	<u>577,631</u>
<b>Operating Profit</b>		<u>577,631</u>
Interest Payable	3	(323,137)
Administrative expenses	4	(1,370,288)
Other expenses	5	(1,012)
<b>Loss on ordinary activities before taxation</b>		<u>(1,116,806)</u>
Taxation	6	<u>335,042</u>
<b>Loss on ordinary activities after taxation</b>		<u>(781,764)</u>

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.

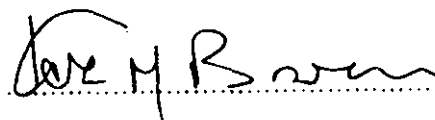
**Balance Sheet****As at 31 December 2005**

	<i>Note</i>	<b>2005 £</b>
<b>Fixed Assets</b>		
Investments in subsidiary undertakings	7	1,000
Unlisted Investments	8	38,056,708
<b>Total fixed assets</b>		<u>38,057,708</u>
<b>Current Assets</b>		
Income tax receivable	6	335,042
<b>Creditors amounts falling due within one year</b>		
Amounts due to parent undertaking	9	(39,081,442)
Accruals and deferred income	10	(93,071)
		<u>(39,174,513)</u>
<b>Net Current liabilities</b>		<u>(38,839,471)</u>
<b>Net Assets</b>		<u>(781,763)</u>
<b>Share Capital and Reserves</b>		
Share Capital	11	1
Profit and Loss Account		(781,764)
<b>Equity shareholder's funds</b>		<u>(781,763)</u>

Approved by the board by written resolution and signed on its behalf by:



Director

23<sup>rd</sup> June 2006


Director

23<sup>rd</sup> June 2006

**Notes to the accounts****1. Significant accounting policies****1.1. Accounting convention**

The accounts have been prepared on a going concern under the historical cost convention. The accounts have been prepared in accordance with applicable accounting standards and pronouncements of the Urgent Issues Task Force ("UITF"). Accounting policies are reviewed regularly to ensure they are the most appropriate to the circumstances of the company for the purposes of giving a true and fair view.

**1.2. Interest receivable and payable**

Interest receivable and payable is recognised in the profit and loss account on an accruals basis.

**1.3. Foreign currency transactions**

Assets, liabilities and profit and loss accounts are translated at the rates of exchange ruling on the balance sheet date. Exchange differences arising on the translation of foreign equity investments are taken to reserves and are offset by corresponding differences arising on the translation of related borrowing. All other exchange differences are included in the profit and loss account for Uberior Fund Investments Limited.

**1.4. Investments in subsidiary undertaking**

Subsidiary undertakings held for investment are stated at cost less amounts written off.

**1.5. Equity Shares**

Equity shares held for investment are stated at cost less amounts written off. Income from listed equity shares is credited to other operating income on the ex-dividend date and from unlisted equity shares on an equivalent basis.

## Notes to the financial statements (cont)

## 2. Gains on disposal of investments

2005  
£Investment gains 577,631

## 3. Net financing costs

2005  
£Interest Payable 323,137  
Net financing costs 323,137

## 4. Administrative expenses

2005  
£Management fees 1,370,288

## 5. Expenses

2005  
£Bank charges 12  
Audit fees 1,000  
1,012

## 6. Taxation

2005  
£Current period 335,042  
Taxation on ordinary activities 335,042

## Reconciliation of effective tax rate

2005  
£Loss before tax (1,116,806)  
Profit on ordinary activities multiplied by the standard  
Rate of corporation tax in the UK - 30% 335,042

## Current tax assets and liabilities

The current tax asset of £335,042 represents the amount of income taxes receivable in respect of the current period.

**Notes to the financial statements (cont)****7. Investments in Subsidiary Undertakings**

	<b>2005 Total £</b>
At 26 August 2004	-
Additions in year	1,000
Disposals in year	-
<b>At cost as at 31 December</b>	<b>1,000</b>

Details of subsidiary undertakings, all of which are incorporated in the UK, are noted below:-

Name of Company	Principle Business	% of Ordinary Shares held
Uberior Company Investments Ltd	Investment	100

**Investments in subsidiary undertakings**

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 investments in the subsidiary undertakings, in view of the Directors, is not less than the amount at which they are stated in the accounts.

**8. Unlisted Investments**

	<b>2005 Total £</b>
Other investments	38,056,708
<b>Total investments</b>	<b>38,056,708</b>

The movement in investments can be summarised as follows:

	<b>Total £</b>
Additions	38,056,708
As at 31 December 2005	38,056,708

## Notes to the financial statements (cont)

## 9. Amounts due to Parent

	2005
	£
Interest bearing loans	(38,531,948)
Cash at bank	377,548
Bank overdrafts	(927,042)
	<u>(39,081,442)</u>

## Terms and debt repayment

The term loans and bank overdraft are unsecured and represent amounts due to the company's intermediate parent undertaking, The Governor and Company of the Bank of Scotland. The term loans fall due for repayment in May 2006.

## 10. Trade and other payables

	2005
	£
Audit fees	1,000
Accrued interest	92,071
	<u>93,071</u>

## 11. Capital and reserves

## Reconciliation of movement in capital and reserves

	2005
Attributable to equity holders of the parent	£
Loss attributable to Shareholders Funds	(781,764)
Shares capital issued	<u>1</u>
Equity Shareholders fund at 31 December 2005	<u>(781,763)</u>

## Share capital and share premium

	Ordinary shares
	2005
	£
Issued for cash	<u>1</u>
On issue at 31 December	<u>1</u>

At 31 December 2005, the authorised share capital comprised 1 Ordinary Shares.

**Notes to the financial statements (cont)**

The holder of the Ordinary Share is entitled to receive dividends as declared from time to time and is entitled to vote at meetings of the Company.

**12. Cash flow statement**

The company has taken advantage of the exemption available under the Financial Reporting Standard 1 not to prepare a cash flow statement as it is over 90% owned by the HBOS Group.

**13. Financial Instruments**

Exposure to credit and interest rate risks arises in the normal course of the Company's business. Credit risk and interest rate risk is managed by the Company's ultimate parent company, HBOS plc. Details of the policies in place can be found in the HBOS plc Annual Report and Accounts.

**14. Foreign currency risk**

The Company is exposed to foreign currency risk on investments and borrowings that are denominated in a currency other than the Sterling. The Company follows HBOS plc Group policy in ensuring that all foreign currency investments are matched with borrowings in the same currency. The currency, giving rise to this risk is Euros.

**15. Other Contingent Liabilities**

As at 31 December 2005, the company has committed £296 million as a limited partner in venture capital funds of which £257 million is undrawn.

**16. Parent undertaking**

The Company's parent undertaking is Uberior Investments Plc. Its intermediate parent undertaking being The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company's ultimate parent undertaking is HBOS plc. Copies of HBOS plc Annual Report and Accounts may be obtained from its Head Office at The Mound, Edinburgh EH1 1YZ.

**17. Related parties**

The Company's ultimate parent undertaking is HBOS plc. The consolidated financial statements of the company are publicly available and include all transactions with group members who are related parties of the group. Under the provision of Financial Reporting Standard No.8 transactions with related parties of this company have been not disclosed other than as required under the Companies Act 1985

**Statement of directors' responsibilities in respect of the Uberior Fund Investments Limited report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these financial statements, the directors are required to:*

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UBERIOR FUND INVESTMENTS LIMITED**

We have audited the financial statements of Uberior Fund Investments Limited for the period from 26 August 2004 to 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 16, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

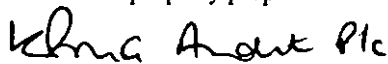
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
Saltire Court  
20 Castle Terrace  
Edinburgh EH11 2EG

23 June 2006