

**UBERIOR VENTURES LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

Company Number SC235067



Directors

P J Cummings  
H C McMillan  
E J Morrison  
B S Anderson  
K M Bothwell

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

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## REPORT OF THE DIRECTORS

### Directors

P J Cummings  
H C McMillan  
E J Morrison

B S Anderson  
K M Bothwell

The Directors submit their report and audited accounts of the Company for the year ended 31 December 2004.

### Incorporation

The company was incorporated on 7 August 2002.

### Activity and review of business

The Company operates as an investment holding company and there has been no change in that activity during the year.

### Results and Dividends

The profit for the year after tax for the Company to 31 December 2004 was £38,324,823 (2003: £20,266,723). The Directors recommend payment of a final dividend of £15,600,000 (2003: £10,374,000). An interim dividend of £12,600,000 was paid in the year (2003: nil).

## REPORT OF THE DIRECTORS (continued)

Directors and their interests

The Directors at the date of this report are as stated on page 2. P A Bradley resigned with effect from 28 January 2004.

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

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

During the year 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 31.12.03</u> <u>or date of appointment if later</u> <u>HBOS plc shares</u>	<u>At 31.12.04</u> <u>HBOS plc shares</u>
P J Cummings	32,849	36,687
H C McMillan	73,157	78,781
E J Morrison	36,679	44,362
B S Anderson	4,689	7,587
K M Bothwell	18,997	16,212
P A Bradley	5,059	6,261

## 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 31.12.04</u>
P J Cummings	March 2002	971
	March 2003	998
	March 2004	1,903
H C McMillan	March 2002	1,165
	March 2003	2,662
	March 2004	2,605
E J Morrison	March 2002	2,331
	March 2003	4,306
	March 2004	3,340
B S Anderson	March 2003	339
	March 2004	751
K M Bothwell	March 2003	1,946
	March 2004	1,775
P A Bradley	March 2003	596
	March 2004	601

## 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 2004.

	<u>Grant effective from</u>	<u>At 31.12.03 or date of appointment if later</u>	<u>Granted (G) or (L) in year</u>	<u>Added as a result of performance</u>	<u>Dividend reinvestme nt shares</u>	<u>Released in year</u>	<u>At 31.12.04</u>
P J Cummings	January 2002	13,333	-	-	-	-	13,333
	January 2003	18,750	-	-	-	-	18,750
	January 2004	-	27,894(G)	-	-	-	27,894
H C McMillan	January 2002	9,894	-	-	-	-	9,894
	January 2003	15,625	-	-	-	-	15,625
	January 2004	-	21,385(G)	-	-	-	21,385
EJ Morrison	January 2002	12,500	-	-	-	-	12,500
	January 2003	16,171	-	-	-	-	16,171
	January 2004	-	-	-	-	-	21,385
PA Bradley	January 2004	-	5,206(G)	-	-	-	5,206

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.

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)Long-term Incentive PlanHBOS 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</u> <u>At 31.12.03 or date of</u> <u>appointment</u>	<u>Granted (G), lapsed</u> <u>(L) or exercised (E) in</u> <u>year</u>	<u>At 31.12.04</u>
P J Cummings	53,000	-	53,000
H C McMillan	60,800	-	60,800
E J Morrison	41,500	-	41,500
B S Anderson	17,900	5,400 (E)	12,500
K M Bothwell	5,620	-	5,620
P A Bradley	37,000	4,000 (E)	33,000

Sharesave Plan

Share options granted under these plans are set out below.

	<u>At 31.12.03</u>	<u>Granted (G) lapsed (L)</u> <u>or exercised (E) in</u> <u>year</u>	<u>At 31.12.04</u>
P J Cummings	2,955	-	2,955
H C McMillan	2,969	414 (E)	2,555
E J Morrison	3,929	485 (G)	
		1,002 (E)	3,412
B S Anderson	1,671	1,970 (G)	3,641
K Bothwell	2,871	557 (G)	
		1,230 (E)	2,198
P A Bradley	2,376	-	2,376

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)HBOS Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Share Option plan as at 31 December 2004 were as follows:

	<u>At 31.12.03</u>	<u>Granted (G) lapsed (L) or exercised (E) in year</u>	<u>At 31.12.04</u>
H C McMillan	3,461	-	3,461
B S Anderson	4,599	2,300 (G)	6,899
K M Bothwell	4,098	2,071 (G)	6,169
P A Bradley	5,535	3,143 (G)	8,678

Under the HBOS Inland Revenue Approved Share Option Plan, shares are granted to all HBOS employees, except certain senior executives.

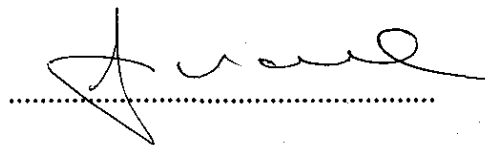
Company Secretary

A I Macrae.

Auditors

In accordance with s.386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to appoint auditors annually. Accordingly, KPMG Audit Plc will continue in office as auditors.

By Order of the Board,



A I Macrae  
Secretary.

7<sup>th</sup> February 2005

Registered Office  
Level 1  
Citymark  
150 Fountainbridge  
EDINBURGH  
EH3 9PE



PROFIT AND LOSS ACCOUNT  
 For the year ended 31 December 2004

	<u>Notes</u>	<u>2004</u>	<u>Period from 7 August 2002 to 31 December 2003</u>
		£	£
Income from other fixed asset investments	2	37,048,454	25,149,316
Gains on disposal of investments		4,606,317	6,101,042
Amounts written off fixed asset investments	5	(1,108,853)	(13,583,957)
Fee Income		2,166,957	1,257,705
Other operating expenses	3	(4,273)	(3,330)
Operating profit		42,708,602	18,920,776
Interest received		1,139	-
Interest paid		(43,995)	-
Profit on ordinary activities before taxation		42,665,746	18,920,776
Taxation	4	(4,340,923)	1,345,947
Profit on ordinary activities after taxation	8	38,324,823	20,266,723
Ordinary dividend – paid		(12,600,000)	-
– proposed		(15,600,000)	(10,374,000)
Retained profit for the year		<u>10,124,823</u>	<u>9,892,723</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 10 to 14 form part of these accounts

## BALANCE SHEET

As at 31 December 2004

	<u>Notes</u>	<u>2004</u> £	<u>2003</u> £
<u>Fixed Assets</u>			
Unlisted investments	5	447,627,249	232,228,755
<u>Current Assets</u>			
Amount due from group undertakings		34,851,463	1
Deferred Taxation	6	–	3,619,922
Other debtors and accrued income		890,118	1,513,751
		<u>35,741,581</u>	<u>5,133,674</u>
<u>Creditors: amounts falling due within one year</u>			
Amount due to group undertakings		(445,562,924)	(225,485,114)
Accruals and other creditors		(16,122,358)	(97,636)
Corporation tax		(1,666,001)	(1,886,955)
		<u>(463,351,283)</u>	<u>(227,469,705)</u>
<u>Net Current Liabilities</u>		(427,609,702)	(222,336,031)
<u>Total Assets less Current Liabilities</u>		<u>20,017,547</u>	<u>9,892,724</u>
<u>Share Capital and Reserves</u>			
Share capital	7	1	1
Profit and loss account		20,017,546	9,892,723
<u>Equity Shareholders' Funds</u>	8	<u>20,017,547</u>	<u>9,892,724</u>

Approved by the board at a meeting on 7th February 2005 and signed on its behalf by:

..... Director

..... Director

The notes on pages 10 to 14 form part of these accounts

## NOTES TO THE ACCOUNTS

1. Accounting Policies1.1 Accounting Convention

The accounts have been prepared on a going concern basis 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.

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

1.2 InvestmentsDebt Securities

Debt securities and other fixed interest securities held for the longer term are included at cost less amounts written off. Gains or losses on realisation are recorded in net operating income as they arise.

Equity Shares

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

1.3 Deferred Tax

Deferred tax is recognised at the standard rate of corporation tax, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, (except as otherwise required by FRS 19) based on corporation tax rate expected when the timing differences reverse.

2. Income from investments

	<u>Year to 31 December 2004</u>		<u>Period to 31 December 2003</u>	
	<u>Unlisted</u>	<u>Total</u>	<u>Unlisted</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Shares	35,770,151	35,770,151	24,542,238	24,542,238
Loan Stock	1,278,303	1,278,303	607,078	607,078
	<u>37,048,454</u>	<u>37,048,454</u>	<u>25,149,316</u>	<u>25,149,316</u>

## NOTES TO THE ACCOUNTS (continued)

3. <u>Other operating expenses</u>	<u>2004</u>	<u>2003</u>
	£	£
Other operating expenses include :		
Audit fees	4,000	3,000
	<u>4,000</u>	<u>3,000</u>
The Company has no employees and none of the Directors receives any emoluments from the Company.		
4. <u>Taxation</u>	<u>2004</u>	<u>2003</u>
	£	£
<u>Tax on Ordinary Activities</u>		
<u>Current Tax:</u>		
Corporation tax charge for the year at a rate of 30%	2,436,540	2,273,975
Corporation tax credit in respect of earlier periods	(1,715,539)	–
	721,001	2,273,975
Deferred tax charge/(credit) in respect of the year at a rate of 30%	98	(3,619,922)
Deferred tax charge in respect of earlier periods	3,619,824	–
	<u>4,340,923</u>	<u>(1,345,947)</u>
<u>Factors Affecting the Current Tax Charge for the Period:</u>		
The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%		
The differences are explained below:		
Profit on ordinary activities before taxation	42,665,745	18,920,776
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	12,799,724	5,676,233
<u>Effects of:</u>		
Other short term timing differences – Movement in non-allowable provisions	(98)	3,619,922
Income not chargeable for corporation tax purposes	(10,731,045)	(7,362,671)
Book gains covered by capital losses/indexation	35,303	(114,773)
Adjustments to tax in respect of previous periods	(1,715,539)	–
Write off of investment	332,656	455,264
Current corporation tax charge for the year	<u>721,001</u>	<u>2,273,975</u>

## NOTES TO THE ACCOUNTS (continued)

5. Investments

	Unlisted		
	Shares	Other Investments	Total Unlisted Investments
	£	£	£
As at 31 December 2003	154,057,883	78,170,872	232,228,755
Additions	28,453,658	231,243,498	259,697,156
Amounts written off	(1,108,853)	–	(1,108,853)
Transfers to other Group companies	(750,000)	–	(750,000)
Disposals	(18,189,089)	(24,250,720)	(42,439,809)
As at 31 December 2004	<u>162,463,599</u>	<u>285,163,650</u>	<u>447,627,249</u>

The principal related company investments, which are unlisted are:

<u>Registered in UK</u>	<u>Class of Shares</u>	<u>Proportion of Class Held</u> %	<u>Principal Area Of Operations</u>
Sir Rocco Forte & Family (Luxury Hotels) Ltd	£1 B Ordinary shares	50%	Ownership and hotel management
Continental Shelf 225 Ltd	£1 A Ordinary shares	47.46%	Ownership and management of retail related property assets
Moncrieffe Holdings Ltd	£1 B Ordinary shares	47.35%	Property Rental
Continental Shelf 291 Ltd	£1 A Ordinary	41.95%	Ownership and management of retail related property assets
Stessa Holdings Ltd	£0.01 Ordinary	50%	Property and property related investment, trading and development
Agora Shopping Centres Ltd	£1 B Ordinary	50%	Ownership and management of retail related property assets
Uberior Ventures 33 OBS Ltd	£1 Ordinary	100%	Property and property related investment

The above information is given only in respect of the undertakings whose results or financial position principally affects the figures in the accounts.

## NOTES TO THE ACCOUNTS (continued)

6. Deferred Tax

	<u>2004</u>	<u>2003</u>
	£	£
At 1 January 2004	3,619,922	–
Current year (charge)/credit	(98)	3,619,922
Prior year charge	(3,619,824)	–
At 31 December	<u>–</u>	<u>3,619,922</u>
Deferred taxation comprises		
Write down of investments not yet crystallised	–	3,619,922
Deferred Tax Asset	<u>–</u>	<u>3,619,922</u>

7. Share capital

	<u>2004</u>	<u>2003</u>
	£	£
Authorised		
£1 Ordinary shares	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
£1 Ordinary shares	<u>1</u>	<u>1</u>

8. Movement in Equity Shareholders' Funds

	<u>2004</u>	<u>2003</u>
	£	£
Equity shareholders funds at 1 January	9,892,724	–
Share capital paid	–	1
Profit after taxation for the period	38,324,823	20,266,723
Dividends	(28,200,000)	(10,374,000)
Equity Shareholders' Funds at 31 December	<u>20,017,547</u>	<u>9,892,724</u>

## NOTES TO THE ACCOUNTS (continued)

9. Cash flow statement

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

10. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with related parties that are part of the HBOS plc group.

11. Parent undertakings

The Company's parent undertaking is Uberior Investments Plc, with 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.

12. Memorandum Items – Contingent Liability

At 31 December 2004, the Company was committed to invest up to £12.73m of additional shareholder loans/equity to Clickloop Holdings Ltd, should this be required.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts 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 VENTURES LIMITED**

We have audited the accounts on pages 8 to 14.

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**

The directors are responsible for preparing the directors' report and, as described on page 15, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts 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 accounts, 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 transactions with the Company is not disclosed.

**Basis of audit 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 31 December 2004 and of its profit for the period then ended and the accounts have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*  
*Saltire Court*  
*20 Castle Terrace*  
*Edinburgh EH1 2EG*

28 February 2005