

UBERIOR VENTURES LIMITED
REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2003

Company Number SC235067



Directors

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

Secretary

A I Macrae

Registered Office

Bank of Scotland, 2nd Floor
New Uberior House
11 Earl Grey Street
EDINBURGH
EH3 9BN

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

P J Cummings
H C McMillan
E J Morrison

B S Anderson
K M Bothwell
P A Bradley

The Directors submit their report and audited accounts of the Company for the period from 7 August 2002 to 31 December 2003.

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 period.

Results and Dividends

The profit after tax for the Company for the period from 7 August 2002 to 31 December 2003 was £20,266,723. The Directors recommend payment of a final dividend of £10,374,000.

REPORT OF THE DIRECTORS (continued)

Directors and their interests

The Directors at the date of this report are as stated above.

Dates of appointment and resignation were as follows:

<u>Director</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
C M Dow	7 August 2002	28 August 2002
A I Macrae	7 August 2002	28 August 2002
P J Cummings	28 August 2002	
H C McMillan	1 October 2002	
E J Morrison	28 August 2002	
B S Anderson	1 October 2002	
K M Bothwell	1 October 2002	
P A Bradley	28 August 2002	

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 07.08.02</u> <u>or date of appointment if later</u> <u>HBOS plc shares</u>	<u>At 31.12.03</u> <u>HBOS plc shares</u>
P J Cummings	28,435	32,849
H C McMillan	64,595	73,157
E J Morrison	26,710	36,679
B S Anderson	6,015	4,689
K M Bothwell	7,489	18,997
P A Bradley	2,577	5,059

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 31.12.03</u>
P J Cummings	March 2002	971
	March 2003	998
H C McMillan	March 2002	1,165
	March 2003	2,662
E J Morrison	March 2002	2,331
	March 2003	4,306
K M Bothwell	March 2003	1,946
P A Bradley	March 2003	596

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 2003.

	<u>Grant effective from</u>	<u>At 31.12.02 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 31.12.03</u>
P J Cummings	January 2002	13,333					13,333
	January 2003		18,750 (G)	-			18,750
H C McMillan	January 2002	9,894					9,894
	January 2003		15,625 (G)	-			15,625
E J Morrison	January 2002	12,500					12,500
	January 2003		16,171 (G)	-			16,171

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 Plan

HBOS 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 31.12.02 or date of appointment</u>	<u>Granted (G), lapsed (L) or exercised (E) in year</u>	<u>At 31.12.03</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	-	17,900
K M Bothwell	5,620	-	5,620
P A Bradley	37,000	-	37,000

Sharesave Plan

Share options granted under these plans are set out below.

	<u>At 31.12.02</u>	<u>Grant (G) lapsed (L) or exercised (E) in year</u>	<u>At 31.12.03</u>
P J Cummings	4,339	1,384 (E)	2,955
H C McMillan	3,118	452 (G) 601 (E)	2,969
E J Morrison	3,167	762 (G)	3,929
B S Anderson	1,760	410 (E)	1,350
K Bothwell	1,907	964 (G)	2,871
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 Inland Revenue Approved Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Inland Revenue Approved Share Option plan as at 31 December 2003 were as follows:

	<u>At 31.12.02</u>	<u>Grant (G) lapsed (L) or exercised (E) in year</u>	<u>At 31.12.03</u>
H C McMillan	3,461	-	3,461
B S Anderson	2,118	2,481 (G)	4,599
K M Bothwell	1,863	2,235 (G)	4,098
P A Bradley	2,529	3,006 (G)	5,535

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

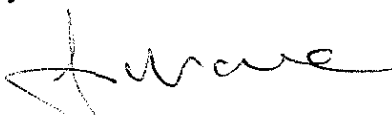
Company Secretary

Oswalds of Edinburgh resigned as Company Secretary on 7 August 2002. A I Macrae was appointed Company Secretary on 7 August 2002.

Auditors

A resolution proposing the re-appointment of KPMG Audit Plc will be put to the forthcoming Annual General Meeting.

By Order of the Board,



A I Macrae
Secretary.

18 February 2004

Registered Office

Bank of Scotland, 2nd Floor
New Uberior House,
11 Earl Grey Street,
Edinburgh.
EH3 9BN

PROFIT AND LOSS ACCOUNT

For the period from 7 August 2002 to 31 December 2003

	<u>Notes</u>	<u>2003</u> <u>£</u>
Income from other fixed asset investments	2	25,149,316
Gains on disposal of investments		6,101,042
Amounts written off fixed asset investments	5	(13,583,957)
Fee Income		1,257,705
Other operating expenses	3	<u>(3,330)</u>
Profit on ordinary activities before taxation		18,920,776
Taxation	4	<u>1,345,947</u>
Profit on ordinary activities after taxation		20,266,723
Ordinary dividend – paid		-
– proposed		(10,374,000)
Retained profit for the period	8	<u><u>9,892,723</u></u>

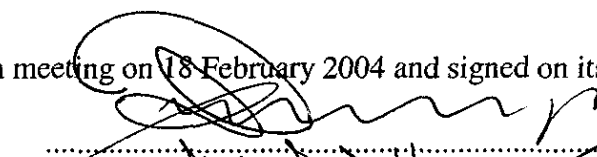
All gains and losses arising during the year have been recognised in the profit and loss account and derive from continuing operations of the Company.

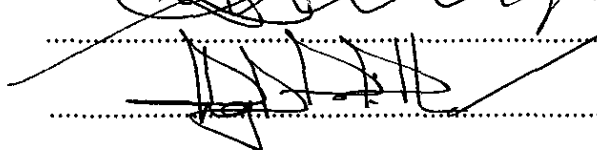
The notes on pages 9 to 13 form part of these accounts

BALANCE SHEET
As at 31 December 2003

	<u>Notes</u>	<u>2003</u> £
<u>Fixed Assets</u>		
Unlisted investments	5	232,228,755
<u>Current Assets</u>		
Amount due from group undertakings		1
Deferred Taxation	6	3,619,922
Other debtors and accrued income		1,513,751
		<u>5,133,674</u>
<u>Creditors: amounts falling due within one year</u>		
Amount due to group undertakings		(225,485,114)
Accruals and other creditors		(97,636)
Corporation tax		(1,886,955)
		<u>(227,469,705)</u>
<u>Net Current Liabilities</u>		(222,336,031)
<u>Total Assets less Current Liabilities</u>		<u>9,892,724</u>
<u>Share Capital and Reserves</u>		
Share capital	7	1
Profit and loss account		9,892,723
<u>Equity Shareholders' Funds</u>	8	<u>9,892,724</u>

Approved by the board at a meeting on 18 February 2004 and signed on its behalf by:


.....Director


.....Director

The notes on pages 9 to 13 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.

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

	Period to 31 December 2003	
	Unlisted	Total
	£	£
Shares	24,542,238	24,542,238
Loan Stock	607,078	607,078
	<u>25,149,316</u>	<u>25,149,316</u>

NOTES TO THE ACCOUNTS (continued)

3. <u>Other operating expenses</u>	<u>2003</u> £
Other operating expenses include :	
Audit fees	<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>2003</u> £
<u>Tax on Ordinary Activities</u>	
<u>Current Tax:</u>	
Corporation tax charge for the period at a rate of 30%	2,273,975
Deferred tax credit in respect for the period at a rate of 30%	(3,619,922)
	<u>(1,345,947)</u>

Factors Affecting the Current Tax Charge for the Period:

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	<u>18,920,776</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	5,676,233
Effects of:	
Other short term timing differences – Movement in non-allowable provisions	3,619,922
Income not chargeable for corporation tax purposes	(7,362,671)
Book gains covered by capital losses/indexation	(114,773)
Write off of investment	455,264
Current corporation tax charge for the period	<u>2,273,975</u>

NOTES TO THE ACCOUNTS (continued)

5. Investments

	Unlisted		
	Shares	Other Investments	Total Unlisted Investments
	£	£	£
As at 7 August 2002	-	-	-
Additions	68,755,509	83,828,987	152,584,496
Amounts written off	(13,583,957)	-	(13,583,957)
Transfers from other Group companies	122,973,495	1,305,494	124,278,989
Disposals	(24,087,164)	(6,963,609)	(31,050,773)
As at 31 December 2003	<u>154,057,883</u>	<u>78,170,872</u>	<u>232,228,755</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>
RF Luxury Hotels Ltd	£1 B Ordinary	50%	Operation and ownership of luxury hotels
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
Pentagon Retail Ltd	£1 A Ordinary	48%	Ownership and management of retail related property assets
Agora Shopping Centres Ltd	£1 B Ordinary	50%	Ownership and management of retail related property assets

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>2003</u> £
Current year credit	3,619,922
At 31 December 2003	<u>3,619,922</u>
Deferred taxation comprises	
Write down of investments not yet crystallised	3,619,922
Deferred Tax Asset	<u><u>3,619,922</u></u>

7. Share capital

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

8. Movement in Equity Shareholders' Funds

	<u>2003</u> £
Share capital paid	1
Profit after taxation for the period	20,266,723
Dividends	(10,374,000)
Equity Shareholders' Funds at 31 December 2003	<u><u>9,892,724</u></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.

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 7 to 13.

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 14, 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.

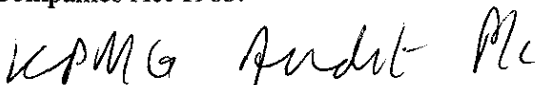
Basis of audit opinion

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 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 2003 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
Chartered Accountants
Registered Auditor
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

18 February 2004