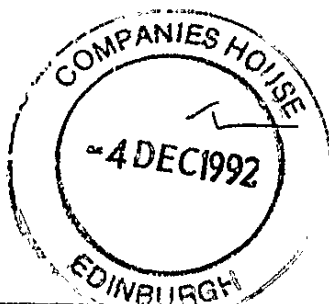


GLOSSTRIPS LIMITED

ACCOUNTS

FOR THE YEAR ENDED 29th FEBRUARY 1992



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 29TH FEBRUARY 1992

The Directors hereby submit their Report and the audited accounts for the year ended 29th February 1992.

	<u>£000</u>
The accounts of the company show a profit for the financial year of	85
A dividend is proposed of	90
	(5)
The balance brought forward at 1st March 1991 was	8
Leaving a balance to be carried forward of	<u>3</u>

ACTIVITIES OF THE COMPANY

The principal activity of the company is the provision of finance and associated services. The company has conducted its activities throughout the year in a satisfactory manner.

No significant change in the company's activities is foreseen at the present time.

DIRECTORS

The Directors as at 29th February 1992 and their respective interests in the companies within the group were as follows:-

	Bank of Scotland Stock					
	Beneficial		Executive Stock Options		Savings Related Stock Options	
	29/2/92	28/2/91	29/2/92	28/2/91	29/2/92	28/2/91
J.S. Brown	**	**	**	**	**	**
M.R. Perry	42,420	28,170	43,676	64,000	18,321	13,832
J.S. Hammond	8,430	5,683	32,621	36,000	4,884	3,264

The Directors' interests at 29th February 1992 are shown post the Bank of Scotland's capitalisation issue of one 25p Stock Unit for every five 25p Stock Units held on 15th May 1991.

The following Directors were granted or exercised the right to subscribe for Bank of Scotland 25p Stock Units shown against their names during the year:-

<u>Director</u>	<u>Stock Options</u> <u>Granted</u>	<u>Stock Options</u> <u>Exercised</u>
J.S. Brown	**	**
M.R. Perry	11,041	47,757
J.S. Hammond	10,781	22,620

** The interests of Mr. J.S. Brown are disclosed in the accounts of NWS BANK plc, the immediate parent undertaking.

The Options granted under the Executive Stock Option Scheme are exercisable between 1992 and 2001 at prices ranging from 55.02p to 119.5p. The Options granted under the Savings Related Stock Option Scheme are exercisable between 1992 and 1998 at prices ranging from 51.08p to 95.6p.

Continued.....

REPORT OF THE DIRECTORS (continued)

DIRECTORS (continued)

The Articles of Association do not provide for the retirement of Directors by rotation.

BY ORDER OF THE BOARD



R. NIXON

Secretary

NWS House
600 Gorgie Road
EDINBURGH

16th November 1992

REPORT OF THE AUDITORS TO THE MEMBERS OF
GLOSSTRIPS LIMITED

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We have audited the accounts on pages 4 to 9 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 29th February 1992 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Liverpool

16th November 1992

GLOSSTRIPS LIMITED

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29th FEBRUARY 1992

	<u>Notes</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
TURNOVER	2	111	102
Other income		821	872
		932	974
Finance and trading costs		810	982
GROSS PROFIT/(LOSS)		122	(8)
Administration expenses		—	—
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	122	(8)
Tax on profit/(loss) on ordinary activities	4	37	43
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		85	(51)
Proposed dividend		90	—
		(5)	(51)
Balance brought forward		8	59
BALANCE CARRIED FORWARD		3	8

The attached notes form part of these accounts.

GLOSSTRIPS LIMITED

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BALANCE SHEET AS AT 29th FEBRUARY 1992

	<u>Notes</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
FIXED ASSET INVESTMENT	5	-	-
CURRENT ASSETS			
Debtors	6	6,902	6,319
CREDITORS: payable within one year	7	(6,650)	(5,896)
NET CURRENT ASSETS		252	423
TOTAL ASSETS LESS CURRENT LIABILITIES		252	423
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	8	(214)	(332)
DEFERRED INCOME			
Leasing earnings equalisation	9	(35)	(83)
		3	8
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Profit and loss account		3	8
		3	8


..... DIRECTOR
J.S. BROWN

The attached notes form part of these accounts.

NOTES ON THE ACCOUNTS1. ACCOUNTING POLICIES

The company is a partner in IBOS Securities. The partnership year end is 29th February and these accounts incorporate the share of results for the year ended 29th February 1992. The accounting policies adopted by the partnership are as listed below in paragraphs (b) to (e).

(a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with S226 of, and schedule 4, to the Companies Act 1985.

The accounts are prepared in accordance with applicable Accounting Standards.

The effects of events relating to the year ended 29th February 1992 which occurred before 16th November 1992, the date of approval of the accounts by the board of directors, have been included in the accounts to the extent required to show a true and fair view of the state of affairs at 29th February 1992 and of the results for the year ended on that date.

(b) Leasing earnings

The earnings element of leasing rentals is credited to revenue in proportion to the funds invested in the related contracts.

(c) Leasing earnings equalisation

The tax benefits resulting from the progressive reduction in rates of corporation tax from 52% in 1982/83 to 35% in 1986/87 and from 35% in 1989/90 to 33% in 1991/92, incorporated in the Finance Acts 1984 and 1991 respectively, are recognised in the partners' accounts. They have been treated as deferred income and transferred to the leasing earnings equalisation account. They are credited to revenue, grossed up at the prevailing corporation tax rate, over the period of the related leasing contracts.

(d) Government grants

Government grants receivable on assets leased to customers are credited to revenue, grossed up in the partners' accounts at the prevailing corporation tax rate, in equal annual instalments over the primary period of the related leases.

(e) Provision for bad debts

Provision is made:-

- (i) specifically against individual balances considered to be of doubtful recoverability;
- (ii) as a general provision against finance debtors to cover unforeseen contingencies.

(f) Deferred taxation

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

NOTES ON THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)(g) Statement of cash flows

The company is exempt from including a Statement of Cash Flows in its accounts as it is a wholly owned subsidiary of a company incorporated in the United Kingdom which has included a consolidated Statement of Cash Flows in its consolidated accounts.

2. TURNOVER

Turnover, all of which arose from activities within the United Kingdom, represents the company's share of operating profit or loss on partnership leasing agreements, leasing earnings equalisation, government grants and income from associated services.

The turnover and pre-tax profit are attributable to one activity, the provision of finance and associated services.

3. <u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES</u> <u>BEFORE TAXATION</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
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Profit/(loss) is stated after crediting:

Intra group interest	821	872
Share of profit - IBOS Securities	38	43
Leasing earnings equalisation	74	55
Government grants	3	3
	<hr/>	<hr/>

and after charging:

Bank interest	-	-
Subvention payment - IBOS Securities	820	872
Directors' remuneration	-	-
Auditors' remuneration - fees	-	-
- other	-	-
	<hr/>	<hr/>

The company has no employees. The partnership uses the services of the company's immediate holding undertaking for which no charge is made.

The cost of Auditors' remuneration is borne by the partnership.

4. <u>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
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The tax charge based on the profit of the year is made up as follows:

Transfer from deferred taxation	(118)	(218)
Notional tax on government grants	3	3
Notional tax on leasing earnings equalisation	24	19
Group relief	128	236
	<hr/>	<hr/>
	37	40

Continued....

NOTES ON THE ACCOUNTS (continued)

4. <u>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</u> (continued)	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Effects of reductions in corporation tax rate (see note 1(c)):		
Release from provision for deferred taxation		
-capital allowances on assets leased to customers		(33)
Transfer to leasing earnings equalisation		35
	-	2
	<u>37</u>	<u>42</u>
Group relief adjustment relating to prior year	-	1
	<u>37</u>	<u>43</u>
The tax charge for the year is based on a corporation tax rate of 33.08% (1991: 34.08%).		
5. <u>FIXED ASSET INVESTMENT</u>	<u>1992</u> <u>£</u>	<u>1991</u> <u>£</u>
Investment in IBOS Securities at cost	<u>50</u>	<u>50</u>
6. <u>DEBTORS:receivable within one year</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Amount owed by immediate holding undertaking	<u>6,902</u>	<u>6,319</u>
7. <u>CREDITORS: payable within one year</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Group relief payable	128	236
IBOS Securities current account	6,298	5,516
Proposed dividend	90	-
Other creditors	<u>134</u>	<u>144</u>
	<u>6,650</u>	<u>5,896</u>
8. <u>DEFERRED TAXATION</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
Full provision has been made as follows:		
Capital allowances on assets leased to customers	<u>214</u>	<u>332</u>

NOTES ON THE ACCOUNTS (continued)

9.	<u>LEASING EARNINGS EQUALISATION</u>		<u>£000</u>
	Balance at 1st March 1991		83
	Credit to profit and loss account (notes 3 and 4)		<u>48</u>
	Balance at 29th February 1992		<u>35</u>
10.	<u>SHARE CAPITAL</u>	<u>1992</u>	<u>1991</u>
	Authorised, issued and fully paid		
	Ordinary shares of £1 each	<u>100</u>	<u>100</u>
11.	<u>PARENT UNDERTAKINGS</u>		

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is the Governor and Company of the Bank of Scotland, constituted by Act of the Scottish Parliament in 1695, and the parent undertaking of the smallest such group is NWS BANK plc, registered in England. Copies of Bank of Scotland's accounts can be obtained from The Mound, Edinburgh and copies of NWS BANK plc's accounts can be obtained from City Road, Chester.