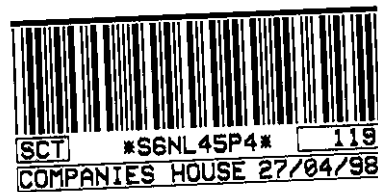


ABOVE BAR (SOUTHAMPTON) LIMITED

REPORT AND ACCOUNTS

28th February, 1998

COMPANY NUMBER 145711



REPORT OF THE DIRECTORSDirectors

A.I.J. McGlashen
H.C. McMillan

The Directors submit their report and the audited accounts of the Company for the year ended 28th February, 1998.

Principal activities

The Company's principal activity is property investment. No change is expected in that activity.

Review of business

The Directors consider the Company's position and results for the year to be satisfactory.

The Company made a profit after taxation of £82,995 for the year (1997 - £117,276) which was transferred to reserves. The Directors do not recommend the payment of a dividend.

Directors and their interests

The Directors at the date of this report are stated above. Both were appointed on 12 January, 1998. Mr I. Nethercott and Mr H.C. Wilson who were directors on 1 March, 1997, resigned on 12 January, 1998 and 8 December, 1997 respectively.

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 ultimate 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 date of appointment</u>	<u>At 28th February, 1998</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
A.I.J. McGlashen	2,383	2,039
H.C. McMillan	41,760	42,572

Directors interests (Continued)

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 28th February, 1998 as follows:-

Executive Stock Options held by Directors

	<u>#Options held as at 1st March 1997</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 1998</u>
A.I.J McGlashen	5,500	3,200	-	8,700
H.C. McMillan	64,027	7,200	19,027	52,200

Ordinary Stock units of 25p each

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

Savings Related Stock Options held by Directors

	<u>#Options held as at 1st March 1997</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 28th February 1998</u>
A.I.J McGlashen	3,370	1,483	812	4,041
H.C. McMillan	6,491	1,233	812	6,912

Ordinary Stock units of 25p each

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,

L.J.W. Black.

L.J.W. Black,
Secretary.

Registered Office

The Mound,
EDINBURGH,
EH1 1YZ

3 April, 1998

PROFIT AND LOSS ACCOUNTFor the year ended 28th February, 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
Rental income receivable		702,868	702,868
Interest receivable		38,485	24,343
Operating expenses		(2,804)	(6,904)
Operating profit		738,549	720,307
Interest paid	2	(737,390)	(735,375)
Profit/(Loss) on ordinary activities before taxation	3	1,159	(15,068)
Taxation	4	81,836	132,344
Profit on ordinary activities after taxation		<u>82,995</u>	<u>117,276</u>

All gains and losses arising during the year derive from continuing operations of the Company.

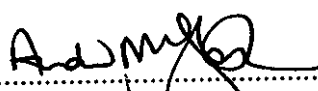
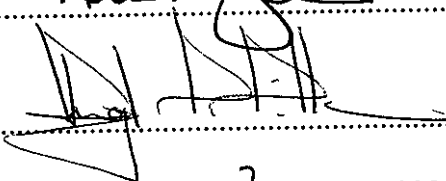
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Profit for the financial year	82,995	117,276
Unrealised surplus on revaluation of properties	-	173,414
Total recognised gains and losses	<u>82,995</u>	<u>290,690</u>

The notes on pages 5 to 8 form part of these accounts.

BALANCE SHEETAs at 28th February, 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
<u>Fixed Assets</u>			
Tangible fixed assets	5	8,000,000	8,000,000
<u>Current Assets</u>			
Amounts due from ultimate parent undertaking		579,213	459,098
Group relief receivable		79,945	115,437
		<u>659,158</u>	<u>574,535</u>
<u>Creditors: amounts falling due within one year</u>	7	(8,011,700)	(8,010,072)
<u>Net Current Liabilities</u>		<u>(7,352,542)</u>	<u>(7,435,537)</u>
<u>Net Assets</u>		<u>647,458</u>	<u>564,463</u>
<u>Share Capital and Reserves</u>			
Share Capital	8	100	100
Revaluation reserve	9	173,414	173,414
Profit and Loss Account	9	473,944	390,949
<u>Equity Shareholders' Funds</u>	10	<u>647,458</u>	<u>564,463</u>


.....Director

.....Director
.....3 April, 1998

The notes on pages 5 to 8 form part of these accounts.

NOTES TO THE ACCOUNTS1. Accounting PoliciesBasis of preparation

The accounts have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of certain investment properties, and in accordance with currently applicable accounting standards.

Investment properties

In accordance with SSAP 19, investment properties are revalued annually and depreciation is not provided. Any net surplus arising therefrom is credited to a revaluation reserve while a deficit on revaluation in excess of cumulative revaluation surpluses is charged to profit and loss account. Depreciation is only one of the many factors reflected in the annual revaluation of investment properties and the amounts which might otherwise have been shown cannot be separately quantified. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the Directors believe that this policy of not providing depreciation is necessary in order for the accounts to give a true and fair view.

Interest payable which can fairly be attributed to properties in the course of construction or refurbishment is capitalised where recoverability is reasonably certain.

Rental income receivable

Rentals receivable are taken into account on an accruals basis.

Interest

Interest is taken into account on an accruals basis.

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.

2. Interest Paid

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Payable to ultimate parent undertaking	<u>737,390</u>	<u>735,375</u>

NOTES TO THE ACCOUNTS (Continued)3. Profit/(Loss) on ordinary activities before taxation

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

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Audit fees	1,175	1,000
Under accruals from previous year	1,629	-
	<u>2,804</u>	<u>1,000</u>

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

4. Taxation

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

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Group relief recoverable	79,945	115,437
Underprovision of group relief recoverable in 1997	1,891	-
Overprovision of group relief recoverable in 1996	-	(3,253)
Underprovision of group relief recoverable in 1995	-	18,437
Deferred tax (note 6)	-	1,723
	<u>81,836</u>	<u>132,344</u>

5. Tangible fixed assets

	<u>Investment Property £</u>
At valuation at 1st March, 1997	8,000,000
Revaluation	-
At valuation at 28th February, 1998	<u>8,000,000</u>

Had the investment properties and property under development been held on an historical cost basis, they would have been included in the accounts at a cost of £7,826,586, (1997 £7,826,586). Included in the cost of investment properties is £100,170 (1997 £100,170) relating to capitalised interest. No depreciation is provided on the properties. The Company's investment property was valued on an open market value basis on 28th February, 1998 by the Company's Directors.

NOTES TO THE ACCOUNTS (Continued)6. Deferred taxation

The deferred taxation liability arises as follows:

	<u>1998</u>		<u>1997</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Capital allowances	-	(422,209)	-	(363,889)
Revaluation Surplus	-	-	-	57,227
Interest Capitalised	-	(31,053)	-	(33,056)
Short term timing differences	-	18,763	-	19,973
	<u>-</u>	<u>(434,499)</u>	<u>-</u>	<u>(319,745)</u>

No provision is made for any liability to taxation which may arise if the investment property is disposed of at its Balance Sheet value as it is expected that it will be retained by the Company.

7. Creditors: amounts falling due within one year

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Amounts due to ultimate parent undertaking	7,950,000	7,950,000
Accruals	61,700	60,072
	<u>8,011,700</u>	<u>8,010,072</u>

8. Share Capital

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted, issued and fully paid</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE ACCOUNTS (Continued)

9. Reserves

	<u>Revaluation</u> <u>Reserve</u> <u>£</u>	<u>Profit & Loss</u> <u>Account</u> <u>£</u>	<u>Total</u> <u>£</u>
As at 1st March, 1997	173,414	390,949	564,363
Retained profit in year	-	82,995	82,995
As at 28th February, 1998	<u>173,414</u>	<u>473,944</u>	<u>647,358</u>

10. Reconciliation of Equity Shareholders' Funds

	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Profit attributable to shareholders	82,995	117,276
Revaluation surplus	-	173,414
Equity Shareholders' Funds at 1st March, 1997	564,463	273,773
Equity Shareholders' Funds at 28th February, 1998	<u>647,458</u>	<u>564,463</u>

11. Parent undertakings

The Company's parent undertaking is Uberior Investments plc and its ultimate parent undertaking is The Governor and Company of the 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, EH1 1YZ.

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 3 to 8 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 ABOVE BAR (SOUTHAMPTON) LIMITED

We have audited the accounts on pages 3 to 8 which have been prepared under the historical cost convention as modified by the revaluation of certain investment properties, and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 9, 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.

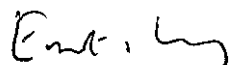
Basis of opinion

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, 1998 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.

3 April, 1998