ABOVE BAR (SOUTHAMPTON) LIMITED

REPORT AND ACCOUNTS

31 December 2001

COMPANY NUMBER 145711

REPORT OF THE DIRECTORS

Directors

D. Moxon
R. A. Munro

The Directors submit their report and the audited accounts of the Company for the ten month 10 period ended 31 December 2001.

Principal activities

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

The Company has changed its accounting reference date to 31 December from 28 February to align its year-end with that of its ultimate parent undertaking, HBOS plc. Pursuant to schemes of arrangement under section 425 of the Companies Act Bank of Scotland (the previous ultimate parent undertaking) and Halifax Group became subsidiaries of HBOS plc on 10 September 2001. The merged Group has a 31 December accounting reference date.

These accounts are accordingly for a 10 month period.

Review of business

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

The Company made a profit after taxation of £10,395 for the period (12 months to 28 February 2001 - £37,869). Cumulative profits brought forward amounted to £79,710 giving profits available for distribution of £90,105. The Directors do not recommend payment of a dividend (12 months to 28 February 2001 - £572,707).

Directors and their interests

The Directors at the date of this report are stated above. Both Directors served throughout the period.

No Director had a beneficial interest in the shares of the Company during the period.

No Director had a beneficial interest in the shares of any undertaking within the Bank of Scotland Group up to 10 September 2001, or within HBOS plc Group, from that date, to the end of the period, other than as below.

Under the terms of the merger, on 10 September 2001 each Halifax Group share or Bank of Scotland ordinary stock unit was exchanged for one HBOS plc ordinary share.

	At 28 February 2001 Ordinary Stock Units of 25p each In Bank of Scotland	At 31 December 2001 Ordinary Shares of 25p each In HBOS plc
D. Moxon	2,864	3,761
R. A. Munro	28,776	29,196

Directors and their interests (Continued.)

Options to subscribe for Ordinary stock units/ Ordinary shares of Bank of Scotland/HBOS plc were granted to or exercised by Directors during the period to 31 December 2001 as follows:

Executive Share Options held by Directors

	#Options held as at 28 February 2001	Options Granted	Options exercised	*Options held as at 31 December 2001
D. Moxon	2,400	-	-	2,400
R. A. Munro	75,800	-	-	75,800

Ordinary Stock units of 25p each in The Governor and Company of Bank of Scotland
* Ordinary Shares of 25p each in HBOS plc

HBOS plc policy is to make an annual grant of options over the ten year life of the Executive Share Option Scheme.

Savings Related Share Options held by Directors

	#Options held as at 28 February 2001	Options granted	Options exercised	*Options held as at 31 December 2001
D. Moxon	4,328	540	1,411	3,457
R. A. Munro	6,003	-	-	6,003

Ordinary Stock units of 25p each in The Governor and Company of Bank of Scotland
* Ordinary Shares of 25p each in HBOS plc

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.

Registered Office

Level 2,
New Uberior House,
11 Earl Grey Street,
Edinburgh.
EH3 9BN

PROFIT AND LOSS ACCOUNT
For the ten month period ended 31 December 2001

	Notes	10 months to 31 Dec 2001	12 months to 28 Feb 2001
		£	£
Rental income receivable		585,701	702,868
Interest receivable from group companies	2	15,341	38,914
Operating expenses		(1,175)	(1,175)
Operating profit		599,867	740,607
Interest payable to ultimate parent undertaking		(614,491)	(733,390)
(Loss)/Profit on ordinary activities before taxation	3	(14,624)	7,217
Taxation	4	25,019	30,652
Profit on ordinary activites after taxation		10,395	37,869
Dividends on equity shares - paid		-	(572,707)
Retained profit/(loss) for the period		10,395	(534,838)

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.

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

BALANCE SHEET

As at 31 December 2001

	Notes	31 December 2001 £	28 February 2001 £
Fixed Assets			
Tangible fixed assets	5	8,000,000	8,000,000
Current Assets			
Amounts due from ultimate parent undertaking		421,864	413,585
Group taxation relief receivable		25,019	30,649
		446,883	444,234
Creditors: amounts falling due within one year	6	(8,183,264)	(8,191,010)
Net Current Liabilities		(7,736,381)	(7,746,776)
Net Assets		263,619	253,224
Share Capital and Reserves			
Share Capital	8	100	100
Revaluation reserve	9	173,414	173,414
Profit and Loss Account	9	90,105	79,710
Equity Shareholders' Funds	10	263,619	253,224

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

....Director 28/2/2002 ....Date

....Director 28/2/2002 ....Date

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

NOTES TO THE ACCOUNTS

1. Accounting Policies

Accounting Convention

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with currently applicable accounting standards.

Basis of preparation

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

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 Receivable from Group Companies

	10 Months to 31 December 2001 £	12 Months to 28 February 2001 £
Receivable from ultimate parent undertaking	15,341	21,444
Receivable from fellow group companies	-	17,470
	15,341	38,914

NOTES TO THE ACCOUNTS (Continued)

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging :

	10 Months to 31 December 2001 £	12 Months to 28 February 2001 £
Audit fees	1,000	1,000

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 arising from ordinary activities and comprises:

	10 Months to 31 December 2001 £	12 Months to 28 February 2001 £
Group relief receivable	25,019	30,649
Under provision in prior year	-	3
	25,019	30,652

5. Tangible fixed assets

	Investment Property £
At valuation at 1 March 2001	8,000,000
At valuation at 31 December 2001	8,000,000

Had the investment property been held on an historical cost basis, it would have been included in the accounts at a cost of £7,826,586 (February 2001 £7,826,586). Included in the cost of investment properties is £100,170 (February 2001 £100,170) relating to capitalised interest. No depreciation is provided on the property.

The Company's investment property was valued on 31 December 2001 by the Company's Directors.

NOTES TO THE ACCOUNTS (Continued)

6. Creditors: amounts falling due within one year

	31 December 2001 £	28 February 2001 £
Amounts due to ultimate parent undertaking	7,950,000	7,950,000
Accruals	233,264	241,010
	8,183,264	8,191,010

7. Deferred taxation

The deferred taxation liability arises as follows:

	31 December 2001		28 February 2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Capital allowances	-	(564,121)	-	(543,489)
Interest Capitalised	-	(30,051)	-	(30,051)
	-	(594,172)	-	(573,540)

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.

8. Share Capital

	31 December 2001 £	28 February 2001 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 ordinary shares of £1 each	100	100

NOTES TO THE ACCOUNTS (Continued)

9. Reserves

	Revaluation Reserve £	Profit & Loss Account £	Total £
As at 1 March 2001	173,414	79,710	253,124
Retained profit in period	-	10,395	10,395
As at 31 December 2001	173,414	90,105	263,519

10. Reconciliation of Equity Shareholders' Funds

	31 December 2001 £	28 February 2000 £
Profit attributable to shareholders	10,395	37,869
Dividends	-	(572,707)
Net movement in Shareholders Funds	10,395	(534,838)
Equity Shareholders' Funds at 1 March 2001	253,224	788,062
Equity Shareholders' Funds at 31 December 2001	263,619	253,224

11. 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.

12. 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.

13. Parent undertakings

The Company's parent undertaking is Uberior Investments plc and its ultimate parent undertaking is HBOS plc. The Company is included in the consolidated accounts of HBOS plc 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

Company law requires the directors to prepare accounts for each financial period which 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 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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF ABOVE BAR (SOUTHAMPTON) LIMITED

We have audited the accounts on pages 3 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 9 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 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

28 February 2002