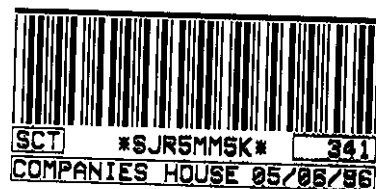


ABOVE BAR (SOUTHAMPTON) LIMITED

REPORT AND ACCOUNTS

29th February, 1996

8.



Company Number 145711

REPORT OF THE DIRECTORSDirectors

I. Nethercott  
H.C. Wilson

The Directors have pleasure in submitting their report and the audited accounts of the Company for the year ended 29th February, 1996.

Activity

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

Results and Dividend

The profit after taxation for the year was £151,907. The Directors do not recommend payment of a dividend.

Directors and their interests

The Directors at the date of this report are stated above. Messrs I. Nethercott and H. C. Wilson were appointed as Directors on 29th February, 1996. In addition, Mr A.I. Forbes served as a Director until his resignation on 7th July, 1995, Mr J.K. Cruickshank was appointed a Director on 7th July, 1995 and served until his resignation on 29th February, 1996 and Mr J. Barkley served as a Director throughout the year until his resignation on 29th February, 1996.

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:-

At 29th February, 1996  
and at date of appointment  
Ordinary Stock Units of 25p each

I. Nethercott	30,318
H.C. Wilson	41,779

Options to subscribe for ordinary stock of Bank of Scotland were granted to or exercised by Directors during the year to 29th February, 1996 as follows:

Directors and their interests (continued)Executive Stock Options

	At 1 Mar 95	Granted	Exercised	At 29 Feb 96	Closing Weighted Average Exercise Price (p)	Date Options Exercisable
I. Nethercott	36,540	-	-	36,540	143.5	1996-2004
H.C. Wilson	51,000	-	-	51,000	164.7	1996-2004

No options lapsed during the year. Options were granted in October 1995 at a price of 259.83p per ordinary stock unit, being the average market price for the first three dealing days on which the ordinary stock was quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. For earlier years, options were granted at the average market price for the three dealing days immediately prior to the date on which invitations to apply for options were issued.

Savings Related Stock Options

	At 1 Mar 95	Granted	Exercised	At 29 Feb 96	Weighted Average Exercise Price (p)	Market Price at Date of Exercise(p)	Closing Weighted Average Exercise Price(p)	Date Options Exercisable
I. Nethercott	8,378	406	2,704	6,080	68.4	214.5/289.5	108.2	1996-2002
H.C. Wilson	3,456	-	-	3,456	-	-	71.1	1996-1997

No options lapsed during the year. Options were granted in November 1995 at a price of 207.864p per ordinary stock unit being 80% of the average market price for the first three dealing days on which the ordinary stock was quoted ex dividend following announcement of the interim results and immediately prior to the date of grant. For earlier years, options were granted at 80% of the market price on the fourth dealing day after the announcement of the interim results.

The market price of the ordinary stock at 29th February, 1996 was 276.5p per ordinary stock unit and the range during the year was 196.5p to 312.0p per ordinary stock unit.

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

April, 1996

PROFIT AND LOSS ACCOUNTFor the year ended 29th February, 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
Rental income receivable		702,868	412,422
Other operating income		33,750	-
Operating expenses		(8,868)	(16,594)
Operating profit		<u>727,750</u>	<u>395,828</u>
Interest paid	3	(737,390)	(360,255)
(Loss)/profit on ordinary activities before taxation	2	<u>(9,640)</u>	<u>35,573</u>
Tax on (loss)/profit on ordinary activities	4	161,547	91,495
Profit on ordinary activities after taxation		<u>151,907</u>	<u>127,068</u>
Profit and loss account at 1st March, 1995		121,766	(5,302)
Profit and loss account at 29th February, 1996		<u><u>273,673</u></u>	<u><u>121,766</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 5 to 7 form part of these accounts.

BALANCE SHEETAs at 29th February, 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
<u>Fixed assets</u>			
Tangible fixed assets	5	7,826,586	7,679,953
<u>Current assets</u>			
Amounts due by group undertaking		312,251	359,991
Group relief receivable		223,107	31,658
Deferred taxation		-	59,837
		<u>535,358</u>	<u>451,486</u>
<u>Creditors: amounts falling due within one year</u>	7	(8,086,448)	(8,009,573)
Net Current Liabilities		<u>(7,551,090)</u>	<u>(7,558,087)</u>
<u>Provision for liabilities and charges</u>			
Deferred taxation	6	(1,723)	-
Total Assets less Current Liabilities		<u><u>273,773</u></u>	<u><u>121,866</u></u>
<u>Capital and reserves</u>			
Called up share capital	8	100	100
Profit and loss account		273,673	121,766
Equity shareholders' funds	9	<u><u>273,773</u></u>	<u><u>121,866</u></u>

*Sam Nettleton*.....Director

*[Signature]*.....Director

15<sup>th</sup>  
April, 1996

.....

The notes on pages 5 to 7 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

Basis of preparation

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

Investment Properties

Investment properties are stated at cost including attributable capitalised interest. It is the intention to revalue completed properties at regular intervals with any net surplus being credited to a revaluation reserve and a deficit on revaluation in excess of cumulative revaluation surpluses being charged to profit and loss account.

Investment properties are not depreciated as it is considered that residual values, based on prices prevailing at the time of acquisition are such that any charge would not be significant. In addition, it is the policy to maintain properties to a high standard with regular maintenance expenditure being charged against operating profit.

Rental Income Receivable

Rentals receivable are taken into account on an accruals basis.

Interest

Interest is taken into account on an accruals basis. Interest attributable to properties in the course of development is capitalised.

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. Deferred taxation is provided on the liability method.

2. Loss/profit on ordinary activities before taxation

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

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Audit fees	<u>1,000</u>	<u>1,000</u>

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

3. Interest Paid

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Paid to ultimate parent undertaking	737,390	-
Paid to parent undertaking	-	360,255
	<u>737,390</u>	<u>360,255</u>

NOTES TO THE ACCOUNTS (continued)4. Tax on (loss)/profit on ordinary activities

	<u>1996</u>	<u>1995</u>
The taxation credit is based on the (loss)/profit on ordinary activities and comprises:	<u>£</u>	<u>£</u>
Group relief recoverable at 33%	223,107	31,658
Deferred tax (note 6)	(61,560)	59,837
	<u>161,547</u>	<u>91,495</u>

5. Tangible assets

	<u>Investment Property</u>
<u>Cost</u>	<u>£</u>
At 1st March, 1995	7,679,953
Additions	146,633
At 29th February, 1996	<u>7,826,586</u>

Included in the cost of investment properties is £100,170 (1995: £100,170) relating to capitalised interest.

6. Deferred taxation

The deferred taxation (liability)/asset arises as follows:

	<u>1996</u>		<u>1995</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Capital allowances	-	(249,811)	-	(89,507)
Interest capitalised	-	(33,056)	-	(33,056)
Short term timing differences	(1,723)	19,329	59,837	19,329
	<u>(1,723)</u>	<u>(263,538)</u>	<u>59,837</u>	<u>(103,234)</u>

The movement during the year is as follows:

	<u>1996</u>
	<u>£</u>
As at 1st March, 1995	59,837
Movement in the year	(61,560)
At 29th February, 1996	<u>(1,723)</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.

NOTES TO THE ACCOUNTS (continued)7. Creditors: amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Amounts due to ultimate parent undertaking	7,950,000	7,950,000
Trade creditors	70,500	-
Accruals	65,948	59,573
	<u>8,086,448</u>	<u>8,009,573</u>

8. Share capital

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted and fully called up</u>		
Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

9. Reconciliation of movements in equity shareholders' funds

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Equity shareholders' funds at 1st March, 1995	121,866	(5,202)
Profit attributable to shareholders	151,907	127,068
Equity shareholders' funds at 29th February, 1996	<u>273,773</u>	<u>121,866</u>

10. 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.



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 7 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 7, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described on page 8, 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.

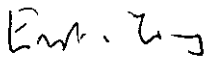
**Basis of opinion**

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 29th February, 1996 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.

15 April, 1996