

ABOVE BAR (SOUTHAMPTON) LIMITED

REPORT AND ACCOUNTS

29th February, 2000

COMPANY NUMBER 145711

DM



REPORT OF THE DIRECTORSDirectors

J. Barkley

J.C. O'Neil

The Directors submit their report and the audited accounts of the Company for the year ended 29th February, 2000.

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 £53,647 for the year (1999 - £86,957). The Directors do not recommend payment of a dividend.

Directors and their interests

The Directors at the date of this report are stated above. S.J. Ballingall resigned on 7th January, 2000 and was replaced by J.C. O'Neil.

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 1st March, 1999/ Date of</u> <u>Appointment</u>	<u>At 29th February, 2000</u>
	<u>Ordinary Stock Units of 25p each</u>	<u>Ordinary Stock Units of 25p each</u>
J. Barkley	89,650	84,521
J.C. O'Neil	5,525	5,525

Options to subscribe for Ordinary Stock of Bank of Scotland were granted to or exercised by Directors during the year to 29th February, 2000 as follows:-

Directors interests (Continued)Executive Stock Options held by Directors

	<u>#Options held as at 1st March 1999</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 29th February 2000</u>
J. Barkley	64,500	10,000	21,500	53,000

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 1999</u>	<u>#Options granted</u>	<u>#Options exercised</u>	<u>#Options held as at 29th February 2000</u>
J. Barkley	4,273	203	952	3,524
J.C. O'Neil	5,475	773	952	5,296

Ordinary Stock units of 25p each

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,

L.J.W. Black

L.J.W. Black,
Secretary.

Registered Office

The Mound,
EDINBURGH,
EH1 1YZ

30th March, 2000

PROFIT AND LOSS ACCOUNTFor the year ended 29th February, 2000

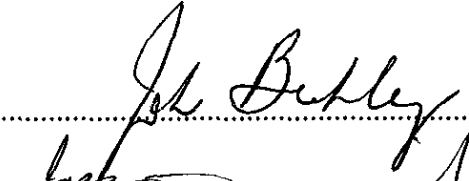
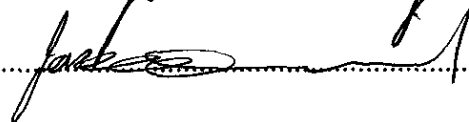
	<u>Notes</u>	<u>2000</u>	<u>1999</u>
		<u>£</u>	<u>£</u>
Rental income receivable		702,868	702,868
Interest receivable from group companies	2	49,677	43,168
Operating expenses		(1,175)	(1,196)
		<hr/>	<hr/>
Operating profit		751,370	744,840
Interest payable to ultimate parent undertaking		(737,390)	(733,360)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	13,980	11,480
Taxation	4	39,667	75,477
Retained profit for the year		<hr/>	<hr/>
		<u>53,647</u>	<u>86,957</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 8 form part of these accounts.

BALANCE SHEETAs at 29th February, 2000

	<u>Notes</u>	<u>2000</u>	<u>1999</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		-	151,963
Amounts due from group undertakings		943,435	700,000
Group taxation relief receivable		39,667	75,477
		<u>983,102</u>	<u>927,440</u>
<u>Creditors: amounts falling due within one year</u>	6	<u>(8,195,040)</u>	<u>(8,193,025)</u>
<u>Net Current Liabilities</u>		<u>(7,211,938)</u>	<u>(7,265,585)</u>
<u>Net Assets</u>		<u>788,062</u>	<u>734,415</u>
<u>Share Capital and Reserves</u>			
Share Capital	8	100	100
Revaluation reserve	9	173,414	173,414
Profit and Loss Account	9	614,548	560,901
<u>Equity Shareholders' Funds</u>	10	<u>788,062</u>	<u>734,415</u>

 Director
 Director

30th March, 2000

.....Date

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 Receivable from Group Companies

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Receivable from ultimate parent undertaking	39,455	43,168
Receivable from fellow group companies	10,222	-
	<u>49,677</u>	<u>43,168</u>

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

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

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Audit fees	1,175	1,175

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:

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Group relief receivable	39,667	75,477
	<u>39,667</u>	<u>75,477</u>

5. Tangible fixed assets

	<u>Investment Property £</u>
At valuation at 1st March, 1999	8,000,000
Revaluation	-
At valuation at 29th February, 2000	<u>8,000,000</u>

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 (1999 £7,826,586). Included in the cost of investment properties is £100,170 (1999 £100,170) relating to capitalised interest. No depreciation is provided on the property.

The Company's investment property was valued on 29th February, 2000 by the Company's Directors.

NOTES TO THE ACCOUNTS (Continued)6. Creditors: amounts falling due within one year

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Amounts due to ultimate parent undertaking	7,950,000	7,950,000
Accruals	245,040	243,025
	<u>8,195,040</u>	<u>8,193,025</u>

7. Deferred taxation

The deferred taxation liability arises as follows:

	<u>2000</u>		<u>1999</u>	
	<u>Provided</u>	<u>Unprovided</u>	<u>Provided</u>	<u>Unprovided</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Capital allowances	-	(510,676)	-	(466,924)
Interest Capitalised	-	(30,051)	-	(30,051)
	<u>-</u>	<u>(540,727)</u>	<u>-</u>	<u>(496,975)</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.

8. Share Capital

	<u>2000</u>	<u>1999</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>Profit & Loss</u>	
	<u>Reserve</u>	<u>Account</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
As at 1st March, 1999	173,414	560,901	734,315
Retained profit in year	-	53,647	53,647
As at 29th February, 2000	<u>173,414</u>	<u>614,548</u>	<u>787,962</u>

10. Reconciliation of Equity Shareholders' Funds

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Profit attributable to shareholders	53,647	86,957
Equity Shareholders' Funds at 1st March, 1999	734,415	647,458
Equity Shareholders' Funds at 29th February, 2000	<u>788,062</u>	<u>734,415</u>

11. Parent undertakings

The Company's parent undertaking is Horizon Capital Limited 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

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 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.

REPORT OF THE AUDITORS 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 Annual Report. As described on page 9 this includes responsibility for preparing 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 Accounting 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. 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 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 at 29th February 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Mc

30 March 2000

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh