ABOVE BAR (SOUTHAMPTON) LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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COMPANIES HOUSE

Company Number SC145711

Director

A J N Hewitt

Company Secretary

Laurence J Edwards

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

DIRECTOR'S REPORT
For the year ended 31 December 2009

The Director submits his report and audited accounts of the Company for the year ended 31 December 2009.

Principal Activity

The Company's principal activity is property investment and there has been no change in that activity during the year.

Results and Dividends

The profit after tax for the Company for the year to 31 December 2009 is £572,428 (2008: loss of £1,156,052). The Director does not recommend the payment of a dividend.

Directors and their Interests

The Director at the date of this report is as stated above.

Dates of appointment and resignation during the year were as follows:

Director	Date of Appointment	Date of Resignation
A D E MacLeod	-	19 October 2009

The other Director served throughout the year.

No Director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Going concern

As set out in Note 2 - 'Going Concern - Principles underlying going concern assumption' of the Notes to the financial statements, the Director is satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the financial statements.

Policy and Practice on Payment of Suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Order Line 0845-0150-010 quoting ref. URN 04/606.

The Company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the Company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the Company owed no amounts to trade creditors as at 31 December 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2008: nil).

DIRECTOR'S REPORT (continued)
For the year ended 31 December 2009

Auditors and Disclosure of Information to Auditors

The Director in office at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware;
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

Following the resignation of KPMG on 13 May 2009, PricewaterhouseCoopers LLP were appointed as auditors of the Company with effect from the same date by the Director of the Company on 3 June 2009. Accordingly, a resolution proposing the reappointment of PricewaterhouseCoopers LLP as auditors will be put to the members of the Company before the end of the next period for appointing auditors (as defined by the Companies Act 2006).

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By Order of the Board

A J N Hewitt
Director
29th September 2010

Company Number SC145711

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

INCOME STATEMENT
For the year ended 31 December 2009

	Note	2009 £	2008 £
Gross rental income	3	702,868	702,868
Gross profit		702,868	702,868
Valuation gain/(loss) on investment property	9	600,000	(1,140,000)
Other expenses	4	(8,125)	(8,246)
Operating profit/(loss) before financing costs		1,294,743	(445,378)
Financial income	5	2,407	18,233
Financial expenses	5	(735,375)	(735,375)
Net financing costs		(732,968)	(717,142)
Profit/(Loss) before tax		561,775	(1,162,520)
Income tax recoverable	6	10,653	6,468
Profit/(Loss) after tax for the year		572,428	(1,156,052)
Attributable to:			
Equity shareholder		572,428	(1,156,052)
Profit/(Loss) after tax for the year		572,428	(1,156,052)

The notes on pages 10 to 21 are an integral part of these financial statements.

The operating profit for the year arises from the Company's continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009 £	2008 £
Profit/(Loss) for the year	572,428	(1,156,052)
Total comprehensive income for the year	572,428	(1,156,052)
Total comprehensive income attributable to equity shareholders	572,428	(1,156,052)
Total comprehensive income for the year	572,428	(1,156,052)

Items in the statement above are disclosed net of tax.

The notes on pages 10 to 21 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2009

	Note	2009 £	2008 £
Assets			
Investment property	9	7,500,000	6,900,000
Total non-current assets		7,500,000	6,900,000
Income tax recoverable	7	10,704	16,015
Cash and cash equivalents	10	393,040	414,521
Total current assets		403,744	430,536
Total assets		7,903,744	7,330,536
Equity			
Issued capital	11	100	100
Retained earnings		(871,410)	(1,443,838)
Total equity		(871,310)	(1,443,738)
Liabilities			
Deferred tax liabilities	8	586,209	588,955
Interest-bearing loans and borrowings	13	7,950,000	7,950,000
Total non-current liabilities		8,536,209	8,538,955
Trade and other payables	14	238,845	235,319
Total current liabilities		238,845	235,319
Total liabilities		8,775,054	8,774,274
Total equity and liabilities		7,903,744	7,330,536

The notes on pages 10 to 21 are an integral part of these financial statements.

The financial statements on pages 5 to 21 were approved by the Board of Directors on 29th September 2010 and were signed on its behalf by:

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A J N Hewitt
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Share Capital	Retained Earnings	Total Equity
	£	£	£
Balance at 1 January 2008	100	(287,786)	(287,686)
Loss for the year			
Loss after taxation	-	(1,156,052)	(1,156,052)
Total comprehensive income	-	(1,156,052)	(1,156,052)
Balance at 1 January 2009	100	(1,443,838)	(1,443,738)
Profit for the year			
Profit after taxation	-	572,428	572,428
Total comprehensive income	-	572,428	572,428
Balance at 31 December 2009	100	(871,410)	(871,310)

The notes on pages 10 to 21 are an integral part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 December 2009

	Note	2009 £	2008 £
Cash flows from operating activities			
Operating profit/(loss) before financing costs		1,294,743	(445,378)
Adjustment for non cash items:			
Increase in trade and other payables		3,526	2,014
Fair value adjustment of investment property	9	(600,000)	1,140,000
Cash generated from operations		698,269	696,636
Income taxes received		13,218	1,319
Net cash from operating activities		711,487	697,955
Cash flows from investing activities			
Interest received		2,407	18,233
Interest paid		(735,375)	(735,375)
Net cash from investing activities		(732,968)	(717,142)
Cash flows from financing activities		-	-
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(21,481)	(19,187)
Cash and cash equivalents at 1 January		414,521	433,708
Cash and cash equivalents at 31 December	10	393,040	414,521

The notes on pages 10 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. Significant accounting policies

Above Bar (Southampton) Limited ("the Company") is a company domiciled in Scotland.

The financial statements were authorised for issue by the Director on 29th September 2010 .

(a) Financial statements
The financial statements of Above Bar (Southampton) Limited comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement together with the related Notes to the financial statements.

The financial statements are presented in Sterling which is the Company's functional and presentational currency.

(b) Statement of compliance
The 2009 statutory financial statements set out on pages 5 to 21 have been prepared in accordance with International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') as adopted by the European Union. The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. Consequently, the financial statements comply with the International Financial Reporting Standards.

(c) Basis of preparation
The financial statements have been prepared under the historical cost basis, except that the following assets and liabilities are stated at their fair values: investment properties.

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

(i) IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has elected to present two statements: an income statement and a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements; the application of this revised standard, which affects presentation only, has not had any impact for amounts recognised in these financial statements.

(ii) Amendments to IFRS 7 'Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the amendments only result in additional disclosures, the amendments have not had any impact for amounts recognised in these financial statements.

The application of the following IFRS pronouncements which all became effective in 2009 has had no material impact on these financial statements

- Amendment to IFRS 2 'Share-based Payments – Vesting Conditions and Cancellations'. This amendment to IFRS 2 'Share-based Payments' restricts the definition of 'vesting condition' to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.
- IFRS 8 'Operating Segments'. This new standard replaces IAS 14 'Segment Reporting' and requires reporting of financial and descriptive information about operating segments which are based on how financial information is reported and evaluated internally. There is no segment information for the year ended 31 December 2009 and for the corresponding comparative period presented in these financial statements.
- Amendments to IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement'. This amendment clarifies that a reassessment of embedded derivatives is required whenever a financial asset has been reclassified out of the fair value through profit or loss category.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

1. Significant accounting policies (continued)

(c) Basis of preparation (continued)

- IFRIC 13 *Customer Loyalty Programmes.* This interpretation addresses accounting by entities who grant customer loyalty award credits to customers as part of sales transactions and which can be redeemed in the future for free or discounted goods or services.
- IAS 23 *Borrowing Costs.* This revised standard requires interest and other costs incurred in connection with the borrowing of funds to be recognised as an expense excepting that those which are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale which must be capitalised as part of the cost of those assets.
- Amendments to IAS 32 Financial Instruments: *Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation.* The amendments require some puttable financial instruments (being those which give the holder the right to put the instrument back to the issuer for cash or another financial asset) and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity.
- *Improvements to IFRSs* (issued May 2008). Sets out minor amendments to IFRS standards as part of annual improvements process. Most amendments clarified existing practice.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation.* This interpretation provides guidance on accounting for hedges of net investments in foreign operations in an entity's consolidated financial statements.

(d) IFRS and IFRIC not yet applied

The following pronouncements will be relevant to the Company but were not effective at 31 December 2009 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company. With the exception of IFRS 9 *Financial Instruments: Classification and Measurement*, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial statements.

Pronouncement	Nature of change	IASB effective date
IFRS3 *Business Combinations*	The revised standard continues to apply the acquisition method to business combinations, however, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently remeasured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed.	Annual periods beginning on or after 1 July 2009.
IAS 27 *Consolidated and Separate Financial Statements*	Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control; any remaining interest in an investee is re-measured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.	Annual periods beginning on or after 1 July 2009.
IFRIC 17 *Distributions of Non-cash Assets to Owners*	Provides accounting guidance for non-reciprocal distributions of non-cash assets to owners (and those in which owners may elect to receive a cash alternative).	Annual periods beginning on or after 1 July 2009.
Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	Clarifies how the principles underlying hedge accounting should be applied in particular situations.	Annual periods beginning on or after 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

1. Significant accounting policies (continued)

(d) IFRS and IFRIC not yet applied (continued)

Pronouncement	Nature of change	IASB effective date
Improvements to IFRSs (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process.	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010.
Amendments to IFRS 2 *Group Cash-settled Share-based Payment Transactions*	Clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, whether or not settled in shares or cash.	Annual periods beginning on or after 1 January 2010.
IFRS 9 *Financial Instruments: Classification and Measurement*[1]	Replaces those parts of IAS 39 *Financial Instruments: Recognition and Measurement* relating to the classification and measurement of financial assets. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in existing IAS 39 will be eliminated.	Annual periods beginning on or after 1 January 2013.
Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*	Requires rights issues denominated in a currency other than the functional currency of the issuer to be classified as equity regardless of the currency in which the exercise price is denominated.	Annual periods beginning on or after 1 February 2010.
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*	Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or loss is recognised in profit or loss representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued; the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured.	Annual periods beginning on or after 1 July 2010.
Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*	Applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements and permits such an entity to treat the benefit of such an early payment as an asset.	Annual periods beginning on or after 1 January 2011.
IAS24 *Related Party Disclosures*	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities.	Annual periods beginning on or after 1 January 2011.

[1] At the date of this report, these pronouncements are awaiting EU endorsement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

1. Significant accounting policies (continued)

(e) Critical accounting estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Deferred tax
The recognition of deferred tax assets requires management judgement in determining the extent and amount which should be recognised. Estimates of future taxable income/profits are made and management judgement is exercised as to whether these estimates indicate if the deferred tax asset can be recovered and when.

(f) Rental income
Rental income from investment properties leased out under operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

(g) Investment properties
Investment property comprises freehold buildings that are held either to earn rental income or for capital appreciation or both. The Company's investment property primarily relates to property held for long-term rental yields and capital appreciation. Investment property is carried in the balance sheet at fair value, being the open market value as determined in accordance with the guidance published by the Royal Institution of Chartered Surveyors. These valuations are reviewed at least annually by an independent valuation expert. Changes in fair value are recognised in the income statement.

Rental income from the investment property is accounted for as described in accounting policy (f).

(h) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

(i) Cash and cash equivalents
Cash and cash equivalents consist of cash balances and overdrafts held within the Lloyds Banking Group that are freely available and deposits held within Lloyds Banking Group with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

1. Significant accounting policies (continued)

(j) Interest-bearing loans and borrowings
Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Interest-bearing loans and borrowings are derecognised from the balance sheet upon settlement of all monies due in connection with such borrowings or forgiveness by the lender of all indebtedness.

(k) Trade and other payables
Trade and other payables are stated at cost.

(l) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(m) Net financing costs
Net financing costs relate to interest payable on loans and borrowings and interest receivable on cash and cash equivalents. Interest payable is recognised in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. Interest income is recognised in the income statement as it accrues.

(n) Taxation
Current income tax which is payable/receivable on taxable profits/losses are recognised as an expense/credit in the period in which the profits/losses arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Going concern – Principles underlying going concern assumption
The Company is reliant on funding provided by Bank of Scotland plc. Notwithstanding the improvement in market liquidity during 2009, the Company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position. The Director is satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

3. Gross rental income

	2009	2008
	£	£
Rental income from Investment Properties	702,868	702,868

4. Other expenses

	2009	2008
	£	£
Valuation fees	6,975	7,071
Audit fees	1,150	1,175
	8,125	8,246

The company has no employees and the directors received no remuneration in respect of their services to the company.

5. Net financing costs

	2009	2008
	£	£
Interest income	2,407	18,233
Financial income	2,407	18,233
Interest on loans	(735,375)	(735,375)
Financial expense	(735,375)	(735,375)
Net financing costs	(732,968)	(717,142)

6. Income tax credit

Recognised in the income statement

	2009	2008
	£	£
Current tax		
Current tax on profit / (loss) for the year	(10,703)	(9,214)
Adjustments in respect of prior years	2,796	-
	(7,907)	(9,214)
Deferred tax		
Impact of change in tax rate	-	(50)
Origination and reversal of temporary differences	-	2,796
Adjustments for prior years	(2,746)	-
	(2,746)	2,746
Income tax credit	(10,653)	(6,468)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

6. Income tax credit (continued)

The current tax credit is higher (2008: lower) than the standard rate of corporation tax in the UK applied to the profit / (loss) for the year due to the following factors:

Reconciliation of effective tax rate	2009 £	2008 £
Profit/(Loss) before tax	561,775	(1,162,520)
Profit/(Loss) multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	157,297	(331,318)
Non taxable fair value movement	(168,000)	324,900
Corporation tax debit in respect of prior periods	2,796	-
Deferred tax credit in respect of prior periods	(2,746)	-
Impact on deferred tax of change in tax rate	-	(50)
Total income tax credit	(10,653)	(6,468)

7. Current tax asset

The current tax asset of £10,704 (2008: £16,015) represents the amount of income taxes recoverable in respect of current and prior periods that exceed payments.

8. Deferred tax liabilities

Recognised deferred tax liabilities
Deferred tax liabilities are attributable to the following:

	Liabilities 2009 £	2008 £
Capital allowances	586,209	588,955

Movement in temporary differences in the year

	Balance at 1 January 2009 £	Recognised in income £	Balance at 31 December 2009 £
Capital allowances	588,955	(2,746)	586,209

	Balance at 1 January 2008 £	Recognised in income £	Balance at 31 December 2008 £
Capital allowances	586,209	2,746	588,955

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

9. Investment property

	2009 £	2008 £
Balance at 1 January 2009	6,900,000	8,040,000
Fair value movement	600,000	(1,140,000)
Balance at 31 December 2009	7,500,000	6,900,000

The investment property was re-valued on 31 December 2009 by a registered independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The availability of consistent transactional evidence is extremely restricted. Fair values were determined by reference to the present value of future income streams assuming the tenant exercises their option to purchase the property in 2019.

10. Cash and cash equivalents

	2009 £	2008 £
Cash at bank	393,040	414,521

11. Share capital and reserves

The distributable reserves of the Company are managed through the Group Capital and Funding Policy in order to maximise capital efficiency within Lloyds Banking Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Lloyds Banking Group level so as to avoid any build up of reserve balances within the Company.

Share capital

	Ordinary Shares	
	2009 £	2008 £
In issue at 31 December 2009	100	100

At 31 December 2009, the authorised share capital comprised 100 £1 ordinary shares (2008: £100). All of the issued shares are fully paid.

The holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

12. Operating leases

The Company leases out its premises under an operating lease. The lease is for thirty years commencing on 24 July 1994 with an option for the tenant to purchase the property exercisable on the 5th to the 30th anniversary, at 5 year intervals, subject to the Company being provided with no less than 28 days and no more than 365 days six months prior written notice. The future minimum lease payments under non-cancellable leases are as follows:

	2009 £	2008 £
Less than one year	702,868	702,868
Between one and five years	2,811,472	2,811,472
More than five years	7,454,308	8,157,176
	10,968,648	11,671,516

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

13. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see Note 15.

	2009 £	2008 £
Non-current liabilities		
Secured bank facility	7,950,000	7,950,000

Terms and debt repayment schedule
The loan of £7,950,000 falls due for repayment to Bank of Scotland plc on 2 September 2019. The loan bears interest at a fixed rate of 9.25% per annum, interest is paid quarterly.

14. Trade and other payables

	2009 £	2008 £
Deferred income	175,717	175,717
Non-trade payables and accrued expenses	63,128	59,602
	238,845	235,319

15. Financial instruments

Credit risk
Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, principally from cash and cash equivalent balances with another Group company.

The table below sets out the maximum exposure to credit risk at the balance sheet date.

	2009 £	2008 £
Cash and cash equivalents	393,040	414,521

Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances within Lloyds Banking Group and have an internal credit rating of better than satisfactory (2008 better than satisfactory). At the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired.

Market risk
Market risk is defined as the potential loss in value or earnings of the Company arising from changes in external market factors such as:

- Interest rates (interest rate risk)
- Foreign Exchange Rates (foreign exchange risk)
- Equity markets (equity risk)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

15. Financial instruments (continued)

Interest rate risk
Interest rate risk exists where the Company's financial assets and liabilities have interest rates set under different bases, or which reset at different times.

The Company's cash and cash equivalent balances generate variable interest income and arise from the reinvestment of surplus liquid funds. The financial liabilities comprise fixed rate borrowings provided by another Group company and they are used to finance the Company's investment property. The Company does not consider itself to have any significant interest rate exposure as demonstrated by the sensitivity table below.

Interest rate exposure is concentrated entirely within the UK money markets. The principal internal control metric is the interest expense sensitivity which measures how much of the current projection for the next 12 months' interest expense would alter if different assumptions are made about the future levels of interest rates.

The table below sets out the sensitivity of the Company's interest expense over a 12 month period to an immediate up and down 25 basis points change to all market interest rates as at the balance sheet date.

	2009	2008
	£	£
Impact of +25 bps shift	983	1,036
Impact of – 25 bps shift	(983)	(1,036)

The measure, however, is simplified in that it assumes all interest rates, for all currencies and maturities, move at the same time and by the same amount. Also, it does not recognise the impact of management actions that, in the event of an adverse rate movement, could reduce the impact on the interest expense.

Foreign exchange risk
Foreign exchange risk arises on assets and borrowings denominated in a currency other than Sterling. The Company has no foreign currency investments thus no sensitivity to foreign exchange exposure is considered to exist.

Equity risk
Equity risk arises from investments in listed and unlisted equity shares. The Company has no listed or unlisted equity shares thus no sensitivity to equity risk is considered to exist.

Liquidity risk
Liquidity risk is the risk that the Company does not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-balance sheet instruments. Overall liquidity of Lloyds Banking Group is managed centrally.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2009

15. Financial instruments (continued)

Liquidity risk (continued)
The table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the balance sheet date.

As at 31 December 2009 Maturity of contractual liabilities	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Interest-bearing loans and borrowings	-	183,844	551,531	2,941,500	11,383,093	15,059,968
Trade and other payables	3,525	1,175	-	-	-	4,700
	3,525	185,019	551,531	2,941,500	11,383,093	15,064,668

As at 31 December 2008 Maturity of contractual liabilities	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Interest-bearing loans and borrowings	-	183,844	551,531	2,941,500	12,118,468	15,795,343
Trade and other payables	-	1,175	-	-	-	1,175
	-	185,019	551,531	2,941,500	12,118,468	15,796,518

Fair values
The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 2009 £	Fair value 2009 £	Carrying amount 2008 £	Fair value 2008 £
Cash and cash equivalents	10	393,040	393,040	414,521	414,521
Interest-bearing loans and borrowings	13	(7,950,000)	(11,323,086)	(7,950,000)	(12,040,355)
Trade and other payables	14	(238,845)	(238,845)	(235,319)	(235,319)
		(7,795,805)	(11,168,891)	(7,770,798)	(11,861,153)
Unrecognised losses			(3,373,086)		(4,090,355)

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other payables
For payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2009

16. Related party transactions

The Company has a related party relationship with its intermediate parent company Bank of Scotland plc. A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits.

Details of the related party transactions during the year are disclosed in the table below.

Nature of Transaction	Related party	Balance at 1 January 2009	Balance at 31 December 2009	Income/expense included in income statement for the year ended 31 December 2009	Income/expense included in income statement for the year ended 31 December 2008	Disclosure in financial statements
		£	£	£	£	£
Bank account	Bank of Scotland Plc	414,521	393,040	-	-	Cash and cash equivalents
Term loan	Bank of Scotland Plc	(7,950,000)	(7,950,000)	-	-	Interest-bearing loans and borrowings
Interest receivable on bank account	Bank of Scotland Plc	-	-	2,407	18,233	Financial income
Interest payable on term loan	Bank of Scotland Plc	-	-	(735,375)	(735,375)	Financial expenses

The term loan is at a fixed rate for the term of the loan and is secured against the investment property.

17. Subsequent event

A number of measures announced in the June 2010 Budget Statement will affect the Company.

The Finance (No.2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. The effect of the change would be to reduce the deferred tax liability by £20,936.

The proposed further reductions in the rate of corporation tax by 1% per annum to 24% by 1 April 2014 are expected to be enacted separately each year starting in 2011. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

18. Parent undertakings

As at 31 December 2009 the Company's immediate parent company was Uberior Investments plc. The company regarded by the director as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc has produced consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds Banking Group plc for the year ended 31 December 2009 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director must not approve the financial statements unless he is satisfied that they 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 these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

The Director, who is listed in the Director's report confirms that, to the best of his knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company.

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

We have audited the financial statements of Above Bar (Southampton) Limited for the year ended 31 December 2009 which comprise of the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

H Anderson

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
29 September 2010