

ABOVE BAR (SOUTHAMPTON) LIMITED  
REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2002

*62*  
COMPANY NUMBER 145711



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COMPANIES HOUSE 01/03/03

## REPORT OF THE DIRECTORS

Directors  
D Moxon  
R A Munro

The Directors submit their report and the audited accounts of the Company for the year ended 31 December 2002.

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 loss after taxation of £12,519 for the year (10 months to 31 December 2001 as restated - £583,777). The Directors do not recommend payment of a dividend.

Directors and their interests

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

During the year no director had any beneficial interest in the share capital of the company or of any group undertaking other than in HBOS plc, the ultimate holding company, details of which are set out below.

Directors' beneficial interests in the ordinary shares of HBOS plc were as follows :-

	<u>At 31 December 2001</u>	<u>At 31 December 2002</u>
	<u>Ordinary Shares of 25p each</u>	<u>Ordinary Shares of 25p each</u>
D. Moxon	3,761	6,449
R.A. Munro	29,196	51,216

Short-term Incentive Plan

Certain Directors have a conditional entitlement to shares arising from the annual incentive. Where the annual incentive for 2000/2001 was taken in shares and these shares are retained in trust for 3 years, the following shares will also be transferred to the Directors.

	<u>Grant effective from</u>	<u>#Shares granted in year and</u> <u>as at 31 December 2002</u>
D. Moxon	31 March 2002	971
R.A. Munro	31 March 2002	1,165

# Ordinary shares of 25p each

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

Long term bonus scheme – Conditional awards of ordinary shares of HBOS plc were granted to Directors during the period to 31 December, 2002 as follows:

	<u>#Awards granted</u>	<u>#Awards lapsed</u>	<u>#Conditional Awards as at 31 December 2002</u>
R.A. Munro	25,832	-	25,832

# Ordinary shares of 25p each

Conditional awards held by directors arise from the HBOS long term incentive plans and former Halifax long term plan, the detailed conditions of which are provided within the HBOS Annual Report and Accounts.

Long term incentive plan – former Bank of Scotland/Bank of Scotland subsidiaries' Directors Options to subscribe for ordinary shares of HBOS plc were exercised by Directors to 31 December, 2002 as follows:

	<u>#Options held as at 1 January 2002</u>	<u>#Options exercised</u>	<u>#Options held as at 31 December 2002</u>
D. Moxon	2,400	-	2,400
R.A. Munro	75,800	(39,000)	36,800

# Ordinary shares of 25p each

## Sharesave Plan

Options to subscribe for ordinary shares of HBOS plc under sharesave plans as at 31 December, 2002 were as follows:

	<u>#Options held as at 1 January 2002</u>	<u>#Options granted</u>	<u>#Options exercised/ lapsed</u>	<u>#Options held as at 31 December 2002</u>
D. Moxon	3,457	662	(1,048)	3,071
R.A. Munro	6,003	-	(1,524)	4,479

# Ordinary shares of 25p each

## REPORT OF THE DIRECTORS (continued)

Directors and their interests (continued)

## HBOS Inland Revenue Approved Share Option Plan

Options in ordinary shares of HBOS plc, held under HBOS Inland Revenue Approved Share Option plan as at 31 December, 2002 were as follows:

	<u>#Options</u> <u>held as at</u> <u>1 January</u> <u>2002</u>	<u>#Options</u> <u>granted</u>	<u>#Options</u> <u>exercised/</u> <u>lapsed</u>	<u>#Options</u> <u>held as at</u> <u>31 December</u> <u>2002</u>
D. Moxon	-	1,997	-	1,997

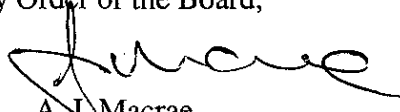
# Ordinary shares of 25p each

Under the HBOS Inland Revenue Approved Share Option Plan, shares are granted to all HBOS employees, except certain senior executives.

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

20 February 2003

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

	<u>Notes</u>	<u>12 months to</u> <u>31 December</u> <u>2002</u>	<u>Restated</u> <u>10 months to</u> <u>31 December</u> <u>2001</u>
		<u>£</u>	<u>£</u>
Rental income receivable		704,842	585,701
Interest receivable from group companies	2	15,838	15,341
Operating expenses		(1,175)	(1,175)
		<hr/>	<hr/>
Operating profit		719,505	599,867
Interest payable to ultimate parent undertaking		(737,390)	(614,491)
		<hr/>	<hr/>
(Loss) on ordinary activities before taxation	3	(17,885)	(14,624)
Taxation	4	5,366	(569,153)
		<hr/>	<hr/>
Loss on ordinary activities after taxation & for the financial year		(12,519)	(583,777)
Retained loss for the year		<u>(12,519)</u>	<u>(583,777)</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.

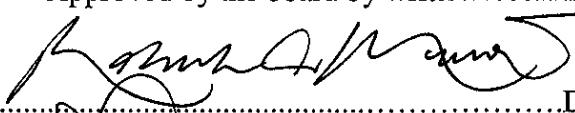
The notes on pages 6 to 10 form part of these accounts.

## BALANCE SHEET

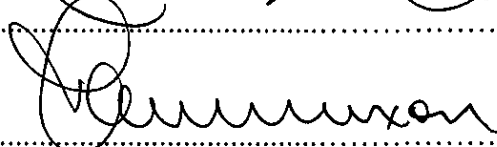
As at 31 December 2002

	<u>Notes</u>	<u>2002</u>	<u>2001</u> <u>(Restated)</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		431,053	421,864
Group taxation relief receivable		24,818	25,019
		<u>455,871</u>	<u>446,883</u>
<u>Creditors: amounts falling due within one year</u>	6	(8,185,319)	(8,183,264)
<u>Net Current Liabilities</u>		<u>(7,729,448)</u>	<u>(7,736,381)</u>
<u>Total Assets less Current Liabilities</u>		<u>270,552</u>	<u>263,619</u>
Provisions for liabilities and charges	7	(613,624)	(594,172)
		<u>(343,072)</u>	<u>(330,553)</u>
<u>Share Capital and Reserves</u>			
Share Capital	8	100	100
Revaluation reserve	9	173,414	173,414
Profit and Loss Account	9	(516,586)	(504,067)
<u>Equity Shareholders' Funds</u>	10	<u>(343,072)</u>	<u>(330,553)</u>

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

.....Director

20/2/2003.....Date

.....Director

20/2/2003.....Date

The notes on pages 6 to 10 form part of these accounts.

## NOTES TO THE ACCOUNTS

1. Accounting PoliciesAccounting 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 intermediate 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.

Deferred Taxation

In the current year, the company implemented FRS 19 "Deferred Tax". The cumulative impact on the taxation charge relating to previous years has been recognised in the accounts as a prior period adjustment and the prior year results have been restated. The effect of implementing this new accounting standard was to decrease the taxation on profit on ordinary activities by £19,452 (2001 - £594,172), and reduce the value of the company's reserves at 1 January 2002 by £594,172 (2001 - £573,540). This is mainly due to the recognition in full of a deferred tax liability on accelerated capital allowances.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed out by the balance sheet date, except as otherwise required by FRS 19.

## NOTES TO THE ACCOUNTS (continued)

2. Interest Receivable from Group Companies

	<u>12 months to</u> <u>31 December</u> <u>2002</u> <u>£</u>	<u>10 months to</u> <u>31 December</u> <u>2001</u> <u>£</u>
Receivable from ultimate parent undertaking	15,838	15,341
	<u>15,838</u>	<u>15,341</u>

3. Loss on ordinary activities before taxation

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

	<u>12 months to</u> <u>31 December</u> <u>2002</u> <u>£</u>	<u>10 months to</u> <u>31 December</u> <u>2001</u> <u>£</u>
Audit fees	<u>1,000</u>	<u>1,000</u>

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

4. Taxation

	<u>12 months to</u> <u>31 December</u> <u>2002</u>	<u>Restated</u> <u>10 months to</u> <u>31 December</u> <u>2001</u>
<u>Tax on Profit on Ordinary Activities</u>		
<u>Current Tax:</u>		
Corporation tax (credit) for the year at a rate of 30% (2001 30%)	(24,818)	(25,019)
	<u>(24,818)</u>	<u>(25,019)</u>
<u>Deferred Tax:</u>		
Deferred tax charge for the year at a rate of 30% (2001 30%)	19,452	20,632
Deferred tax charge in respect of earlier periods	-	573,540
	<u>(5,366)</u>	<u>569,153</u>



NOTES TO THE ACCOUNTS (continued)

4. Taxation (Continued)

	<u>12 months to</u> <u>31 December</u> <u>2002</u> £	<u>Restated</u> <u>10 months to</u> <u>31 December</u> <u>2001</u> £
<u>Factors Affecting the Current Tax Credit for the Year:</u>		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% The differences are explained below:		
Loss on ordinary activities before taxation	(17,885)	(14,624)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK	(5,366)	(4,387)
Effects of:		
Capital allowances in excess of depreciation	(19,452)	(20,632)
Current corporation tax credit for the year	(24,818)	(25,019)

5. Tangible fixed assets

	<u>Investment</u> <u>Property</u> £
At valuation at 1 January 2002 and 31 December 2002	<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 (December 2001 £7,826,586). Included in the cost of investment properties is £100,170 (December 2001 £100,170) relating to capitalised interest. No depreciation is provided on the property.

The Company's investment property was valued on 31 December 2002 by the Company's Directors.

6. Creditors: amounts falling due within one year

	<u>2002</u> £	<u>2001</u> £
Amounts due to intermediate parent undertaking	7,950,000	7,950,000
Accruals	235,319	233,264
	<u>8,185,319</u>	<u>8,183,264</u>

## NOTES TO THE ACCOUNTS (continued)

7. Provisions for liabilities and charges

	<u>2002</u> £	<u>As restated</u> <u>2001</u> £
Deferred taxation:		
Prior year adjustment	594,172	-
	<u>594,172</u>	<u>-</u>
Current year charge	19,452	20,632
Prior year charge	-	573,540
	<u>613,624</u>	<u>594,172</u>
Balance carried forward		
Deferred taxation comprises		
Capital Allowance on other assets	583,573	564,121
Other timing differences	30,051	30,051
	<u>613,624</u>	<u>594,172</u>
Deferred Tax Liability		

8. Share Capital

	<u>2002</u> £	<u>2001</u> £
<u>Authorised</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<u>Allotted, called up and fully paid</u>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9. Reserves

	<u>Revaluation</u> <u>Reserve</u>	<u>P &amp; L</u>	<u>Total</u>
At 1 January 2002 as previously stated	173,414	90,105	263,519
Prior period adjustment in respect of the recognition of a deferred tax liability under FRS 19	-	(594,172)	(594,172)
Loss after tax for the year	-	(12,519)	(12,519)
Balance carried forward	<u>173,414</u>	<u>(516,586)</u>	<u>(343,172)</u>

## NOTES TO THE ACCOUNTS (continued)

10. Reconciliation of Equity Shareholders' Funds

	<u>2002</u> £	<u>2001</u> £
Equity shareholders' funds at 1 January 2002	263,619	253,224
Prior period adjustment in respect of the recognition of a deferred tax asset under FRS 19	(594,172)	-
	<hr/>	<hr/>
Equity shareholders' funds at 1 January 2002 - restated	(330,553)	253,224
(Loss) attributable to shareholders	(12,519)	10,395
	<hr/>	<hr/>
Equity Shareholders' Funds at 31 December 2002	<u>(343,072)</u>	<u>(263,619)</u>

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's ultimate parent undertaking is HBOS plc. The consolidated financial statements of this company are publicly available and include all transactions with group members who are related parties of the group. Under the provisions of Financial Reporting Standard No. 8, transactions with related parties of this company have not been disclosed other than as required under Companies Act 1985.

13. Parent undertakings

The Company's parent undertaking is Uberior Investments Plc, with its intermediate parent undertaking being The Governor and Company of the Bank of Scotland, incorporated by Act of the Scottish Parliament in 1695. The Company's ultimate parent undertaking is HBOS plc. Copies of HBOS plc 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 FINANCIAL STATEMENTS

Company Law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements 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 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.

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

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 11, the financial statements 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 financial statements 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 financial statements, 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

*KPMG Audit Plc*

*Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG*

20 February 2003