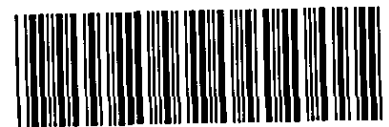


WEST CRAIGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Company Number SC226585

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COMPANIES HOUSE

Directors

J K Cruickshank
J C O'Neil
K M Bothwell
J A Pearce
P R Harries
A M Collins

Secretary

L J Edwards

Registered office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Auditors

PricewaterhouseCoopers LLP
Hay's Galleria
1 Hay's Lane
LONDON
SE1 2RD

Bankers

Bank of Scotland plc
Head Office
The Mound
EDINBURGH
EH1 1YZ

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts of the Company for the year ended 31 December 2009.

Activity

The Company's principal activity is the ownership and development of land and no change is expected in that activity.

Risk management

The key risks and uncertainties faced by the Company are managed within the framework established for the Lloyds Banking Group ('the Group'). Exposure to credit risk and interest rate risk arises in the normal course of the Company's business. These risks are discussed below and supplementary qualitative and quantitative information is provided by Note 14 to the financial statements.

Credit risk

Credit exposures arise principally from cash and cash equivalent balances with another Group company and at the reporting date none of these balances were considered past due or impaired.

Interest rate risk

In relation to interest earning financial assets and interest bearing financial liabilities, the Company does not have any significant interest rate exposure as demonstrated by the Net Interest Income Sensitivity in Note 14.

Results and dividends

The loss after tax for the Company for the year to 31 December 2009 was £4,810 (2008: £10,843 profit). No dividends were paid during the year (2008: £nil).

Going concern

As set out in Note 2 - 'Principles underlying Going Concern Assumption' of the Notes to the financial statements, the Directors are 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.

Directors and their interests

The Directors at the date of this report are as stated on page 2.

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

<u>Director</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
J A Pearce	4 th July 2010	-
P R Harries	4 th July 2010	-
A M Collins	4 th July 2010	-
K M Bothwell	4 th July 2010	-

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).

REPORT OF THE DIRECTORS (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 directors must not approve the financial statements unless they are 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 directors are required to:

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

The directors are 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. 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.

Each of the directors, whose names and functions are listed in the directors' report confirm that, to the best of their 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; and
- the directors' report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

Auditors and disclosure of information to auditors

Each 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; and
- 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 directors 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,



L J Edwards
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST CRAIGS LIMITED

We have audited the financial statements of West Craigs Limited for the year ended 31 December 2009 which comprise of the Income Statement, the Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and the Statement of Cash Flows 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 4, 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 loss 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.



Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Hay's Galleria
1 Hay's Lane
London
SE1 2RD

22 September 2010.

Income Statement**For the year ended 31 December 2009**

	Note	2009	2008
		£	£
Sale of crop		51,169	-
Cost of sales		(65,771)	-
Gross loss		(14,602)	-
Profit on disposal of investments		-	-
Operating expenses	3	(12,869)	17,643
Other income	4	31,147	58,942
Other expenses	5	(1,500)	(1,500)
Net other income		29,647	57,442
Operating profit before financing costs		2,176	75,085
Financial income	6	95	526
Financial expense	6	(8,951)	(60,445)
Net financing costs		(8,856)	(59,919)
(Loss)/profit before tax		(6,680)	15,166
Income tax credit/(charge)	7	1,870	(4,323)
(Loss)/profit after tax for the year		(4,810)	10,843

The notes on pages 11 to 20 form part of these accounts.

Statement of Comprehensive Income**For the year ended 31 December 2008**

	Note	2009 £	2008 £
(Loss)/profit for the year		(4,810)	10,843
Total comprehensive income for the year		<u>(4,810)</u>	<u>10,843</u>

The notes on pages 11 to 20 form part of these accounts.

Balance Sheet**As at 31 December 2009**

	Note	2009 £	2008 £
Assets			
Inventories	9	1,854,683	1,799,389
Income tax receivable	8	1,870	-
Trade and other receivables	10	11,344	9,281
Cash and cash equivalents	11	-	11,726
Total current assets		1,867,897	1,820,396
Total assets		1,867,897	1,820,396
Equity			
Issued capital	12	100	100
Retained earnings		376,942	381,752
Total equity		377,042	381,852
Liabilities			
Amount due to fellow subsidiary undertaking		1,425,890	1,358,443
Income tax payable	8	-	4,323
Trade and other payables	13	64,965	75,778
Total current liabilities		1,490,855	1,438,544
Total liabilities		1,490,855	1,438,544
Total equity and liabilities		1,867,897	1,820,396

The notes on pages 11 to 20 form part of these accounts.

Approved by the board at a meeting on 22nd September 2010 and signed on its behalf by:

..... 

PAUL HARRIET

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	370,909	371,009
Profit for the year			
Profit after taxation	-	10,843	10,843
Total comprehensive income	-	10,843	10,843
Balance at 1 January 2009	100	381,752	381,852
Loss for the year			
Loss after taxation	-	(4,810)	(4,810)
Total comprehensive income	-	(4,810)	(4,810)
Balance at 31 December 2009	100	376,942	377,042

The notes on pages 11 to 20 form part of these accounts.

Statement of Cash Flows**For the year ended 31 December 2009**

	Note	2009 £	2008 £
Cash flows from operating activities			
Operating profit		2,176	75,085
Increase in inventories		(54,092)	(132,163)
Increase in trade and other receivables		(17,339)	(25,680)
Increase in amounts due to fellow subsidiary undertaking		77,202	67,856
Decrease in trade and other payables		(15,446)	(57,085)
Profit on sale		-	-
Cash generated from operations		<u>(7,499)</u>	<u>(71,987)</u>
Interest paid		-	(4)
Income taxes received		<u>(4,322)</u>	<u>4,691</u>
Net cash from operating activities		<u>(11,821)</u>	<u>(67,300)</u>
Cash flows from investing activities			
Interest received		<u>95</u>	<u>526</u>
Net cash from investing activities		<u>95</u>	<u>526</u>
Cash flows from financing activities			
Dividends paid		<u>-</u>	<u>-</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(11,726)	(66,774)
Cash and cash equivalents at 1 January		<u>11,726</u>	<u>78,500</u>
Cash and cash equivalents at 31 December	11.	<u>-</u>	<u>11,726</u>

The notes on pages 11 to 20 form part of these accounts.

Notes to the financial statements**1. Significant accounting policies**

West Craigs Limited (the "Company") is a company domiciled in Scotland.

The financial statements were authorised for issue by the Directors on 22nd September 2010.

(a) Financial statements

The financial statements of West Craigs Limited comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows together with the related Notes to the financial statements.

(b) Statement of compliance

The 2009 statutory financial statements set out on pages 6 to 20 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 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: investments property.

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:

- 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.

Notes to the financial statements (continued)

Significant accounting policies (continued)

(c) Basis of preparation (continued)

- 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.

(d) IFRS 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. 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
IFRS 3 <i>Business Combinations</i>	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 re-measured 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 <i>Consolidated and Separate Financial Statements</i>	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.
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.
IFRS 9 <i>Financial Instruments: Classification and Measurement</i>	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two; fair value and amortised cost. The existing available-for-sale and held-to-maturity categories have been eliminated. Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows.	Annual periods beginning on or after 1 January 2013.
IAS 24 <i>Related Party Disclosures</i>	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.

Notes to the financial statements (continued)**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) Inventories

Inventories are stated at lower of cost and net realisable value.

(g) Trade and other receivables

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

(h) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than investing or other purposes. Cash and cash equivalents consist of cash balances at banks that are freely available.

(i) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (continued)**Significant accounting policies (continued)****(j) Trade and other payables**

Trade and other payables are stated at cost.

(k) Net finance costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts 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 and interest payable presented in the income statement include interest on financial assets or liabilities at amortised cost on an effective rate basis.

(l) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits 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.

(m) Turnover

Turnover is recognised on conclusion of sale of crops.

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 Directors are 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.

3. Operating expenses

	2009	2008
	£	£
Property expenses	10,144	3,147
Other operating expenses	2,725	(20,790)
Total operating expenses	<u>12,869</u>	<u>(17,643)</u>

Notes to the financial statements (continued)

4. Other income

	2009	2008
	£	£
Rental income	18,768	19,379
Other Income	12,379	39,563
	<u>31,147</u>	<u>58,942</u>

5. Other expenses

	2009	2008
	£	£
Audit fee	<u>1,500</u>	<u>1,500</u>

6. Net financing costs

	2009	2008
	£	£
Interest income	<u>95</u>	<u>526</u>
Financial income	<u>95</u>	<u>526</u>
Interest expense	<u>(8,951)</u>	<u>(60,445)</u>
Financial expense	<u>(8,951)</u>	<u>(60,445)</u>
Net financing costs	<u>(8,856)</u>	<u>(59,919)</u>

7. Income tax credit/(charge)

Recognised in the income statement

	2009	2008
	£	£
Current tax credit/(charge)		
Corporation tax credit/(charge) for the period at 28%	<u>1,870</u>	<u>(4,323)</u>
	<u>1,870</u>	<u>(4,323)</u>
Total income tax credit/(charge) in income statement	<u>1,870</u>	<u>(4,323)</u>

Reconciliation of effective tax rate

	2009	2008
	£	£
(Loss)/profit on ordinary activities before tax	<u>(6,680)</u>	<u>15,166</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	<u>1,870</u>	<u>(4,323)</u>
Total income tax credit/(charge) in income statement	<u>1,870</u>	<u>(4,323)</u>

8. Current tax asset

The current tax asset of £1,870 (2008: liability £4,323) represents the amount of income taxes payable in respect of the current period.

Notes to the financial statements (continued)

9. Inventories

	2009 £	2008 £
At 1 January	1,799,389	1,637,968
Additions	120,734	161,421
Sale of crops	(65,440)	-
At 31 December	<u>1,854,683</u>	<u>1,799,389</u>

10. Trade and other receivables

	2009 £	2008 £
Trade and other receivables	<u>11,344</u>	<u>9,281</u>

11. Cash and cash equivalents

	2009 £	2008 £
Bank balances	-	11,726
Cash and cash equivalents in the statement of cash flows	<u>-</u>	<u>11,726</u>

12. 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 the Group. Dividends are paid from reserves available for distribution to the parent undertaking twice a year according to parameters set out at a Group level so as to avoid any build up of reserve balances within the Company.

Share capital and share premium

	Ordinary shares	
	2009 £	2008 £
On issue at 1 January and at 31 December – fully paid	<u>100</u>	<u>100</u>

At 31 December 2009, the authorised share capital comprised 100 £1 ordinary shares (2008: 100).

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

13. Trade and other payables

	2009 £	2008 £
Other trade payables	63,465	74,278
Non-trade payables and accrued expenses	<u>1,500</u>	<u>1,500</u>
	<u>64,965</u>	<u>75,778</u>

Notes to the financial statements (continued)**14. 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	-	11,726
	<u>-</u>	<u>11,726</u>

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 with the Group and have an internal credit rating of 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 had their terms not have been renegotiated.

Market risk

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

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

At the reporting date the Company's only exposure to market risk arose from interest rate risk, as all transactions and balances were denominated in Sterling and no equity share investments were held.

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 variable rate borrowings provided by another Group company and they are used to finance the Company's inventories. Accordingly, the Company does not have any significant interest rate exposure as demonstrated by the net interest income (NII) sensitivity table below.

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

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

	2009	2008
	£000	£000
Impact of +25 bps shift	(4)	(3)
Impact of - 25 bps shift	4	3

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 NII.

Notes to the financial statements (continued)

14. Financial instruments (continued)

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.

The Company's short term liquidity requirements are supported by a facility with another Group company subject to internal limits. Overall liquidity of the Group is managed centrally.

All funding is provided by the Group and 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 mth	1-3 mths	3-12 mths	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	1,426,495	-	-	1,426,495
Trade and other payables	63,465	1,500	-	64,965
Total liabilities	<u>1,489,960</u>	<u>1,500</u>	<u>-</u>	<u>1,491,460</u>

As at 31 December 2008

Maturity of contractual liabilities	Up to 1 mth	1-3 mths	3-12 mths	Total
	£	£	£	£
Amounts due to fellow subsidiary undertaking	1,360,323	-	-	1,360,323
Trade and other payables	74,278	1,500	-	75,778
Total liabilities	<u>1,434,601</u>	<u>1,500</u>	<u>-</u>	<u>1,436,101</u>

Fair values

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

		Carrying amount 2009 £	Fair value 2009 £	Carrying amount 2008 £	Fair value 2008 £
	Note				
Trade and other receivables	9	11,344	11,344	9,281	9,281
Cash and cash equivalents	10	-	-	11,726	11,726
Amount due to fellow subsidiary undertaking	16	(1,425,890)	(1,425,890)	(1,358,443)	(1,358,443)
Trade and other payables	12	(64,965)	(64,965)	(80,101)	(80,101)
		<u>(1,479,511)</u>	<u>(1,479,511)</u>	<u>(1,417,537)</u>	<u>(1,417,537)</u>
Unrecognised (losses) / gains			-		-

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.

Notes to the financial statements (continued)

14. Financial instruments (continued)

Trade and other receivables/(payables)

For receivables/(payables) with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/(payables) are discounted to determine the fair value.

15. Operating Leases

Future minimum lease payments under operating leases

	2009	2008
	£	£
Not later than one year	1,849	9,012
Later than one year and not later than 5 years	-	-
Later than five years	-	-
	<u>1,849</u>	<u>9,012</u>

The Company leases out various buildings which are terminable by the Company within periods of less than one year. A number of the leases expired during the year. The tenancy was not terminated on the relevant dates by either party and so the lease will continue on a monthly basis until the appropriate notice of termination is given by either party.

16. Related parties

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.

The Company also has a related party relationship with its fellow subsidiary undertaking Horizon Resources Limited. This relationship has arisen due to the provision of funding to the Company.

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

Nature of transaction	Related Party	Outstanding balance at 1 January 2009	Outstanding 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	11,726	-			Cash and cash equivalents
Intercompany payable	Horizon Resources Limited	1,358,443	1,425,890			Amount due to fellow subsidiary undertaking
Interest receivable	Bank of Scotland plc			95	526	Financial income
Interest payable	Horizon Resources Limited			8,951	60,441	Financial expenses
Interest payable	Bank of Scotland plc			-	4	Financial expenses

Notes to the financial statements (continued)**17. Parent undertakings**

As at 31 December 2009 the Company's immediate parent company was Horizon Capital 2000 Ltd. 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 will produce 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