THE MOUND PROPERTY COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Company Number SC260380

Directors

A J N Hewitt
B S Anderson

Company Secretary

L J Edwards

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

DIRECTORS' REPORT
For the year ended 31 December 2010

Directors

A J N Hewitt
B S Anderson

The Directors submit their report and audited accounts of The Mound Property Company Limited ("the Company") for the year ended 31 December 2010.

Principal activity

During 2009 the Company operated as a property development company. On the 24 February 2010 the investment property was sold for £40.9m to Scottish Widows Investment Partnership Property Trust (an authorised unit trust scheme). In 2010 all operations have been categorised as discontinued.

Results and dividends

The profit after tax for the Company for the year ended 31 December 2010 was £1,052,073 (2009: £85,641). The Directors do not recommend payment of a dividend in 2010 (2009: Nil).

Going concern

As set out in Note 2 - 'Going concern - 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 above.

Dates of appointments or resignations during the year, or subsequent to the year end, are as follows:

Director	Date of appointment	Date of resignation
Bruce Smith Anderson	19 March 2010	-

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.

Directors' indemnity

The Directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision". This contract came into force during the financial year and remains in force. It is available for inspection at the registered office of Lloyds Banking Group plc.

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 amounts to trade creditors as at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is 402 (2009: 11).

DIRECTORS' REPORT (continued)
For the year ended 31 December 2010

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 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

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

Small company exemption

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
21 June 2011

Company Number SC260380

Registered Office

Level 1
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

INCOME STATEMENT
For the year ended 31 December 2010

	Note	2010 £	2009 £
Gross rental income earned from investment property/investment property under development	3	342,190	1,179,751
Gain on disposal of investment property		830,165	-
Other expenses	4	(113,500)	(120,292)
Operating profit before financing costs		1,058,855	1,059,459
Financial income		15	87
Financial expenses		(266,037)	(932,204)
Net financing costs	5	(266,022)	(932,117)
Profit before tax		792,833	127,342
Income tax credit/(expense)	6	259,240	(41,701)
Profit after tax for the year		1,052,073	85,641
Attributable to:			
Equity holder		1,052,073	85,641
Profit for the year		1,052,073	85,641

The notes on pages 10 to 23 are an integral part of these financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	2010	2009
	£	£
Profit for the year	1,052,073	85,641
Total comprehensive income for the year	1,052,073	85,641
Total comprehensive income attributable to equity shareholder	1,052,073	85,641
Total comprehensive income for the year	1,052,073	85,641

Items in the statement above are disclosed net of tax.

The notes on pages 10 to 23 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2010

	Note	2010 £	2009 £
Assets			
Investment property under development	9	-	-
Investment property	9	-	38,606,970
Total non-current assets		-	38,606,970
Trade and other receivables	10	165,722	389,593
Income tax receivable	7	259,239	-
Restricted cash on deposit	11	-	103,500
Total current assets		424,961	493,093
Total assets		424,961	39,100,063
Equity			
Share capital	13	1,000	1,000
Retained earnings		(7,364,953)	(8,417,026)
Total equity		(7,363,953)	(8,416,026)
Liabilities			
Amounts due to intermediate parent undertaking		-	43,953
Cash and cash equivalents	12	7,650,989	46,527,730
Income tax payable	7	-	41,701
Trade and other payables	14	137,925	902,705
Total current liabilities		7,788,914	47,516,089
Total liabilities		7,788,914	47,516,089
Total equity and liabilities		424,961	39,100,063

The notes on pages 10 to 23 are an integral part of these financial statements.

These financial statements on pages 5 to 23 were approved by the Board of Directors on 27th June 2011 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 2010

	Share Capital	Retained Earnings	Total Equity
	£	£	£
Balance at 1 January 2009	1,000	(8,502,667)	(8,501,667)
Profit for the year			
Profit after taxation	-	85,641	85,641
Total comprehensive income	-	85,641	85,641
Balance at 1 January 2010	1,000	(8,417,026)	(8,416,026)
Profit for the year			
Profit after taxation	-	1,052,073	1,052,073
Total comprehensive income	-	1,052,073	1,052,073
Balance at 31 December 2010	1,000	(7,364,953)	(7,363,953)

The notes on pages 10 to 23 are an integral part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Operating profit before financing costs		1,058,855	1,059,459
		1,058,855	1,059,459
Adjustments for non-cash items:			
Deduction of gain on disposal of investment property		(830,165)	-
Decrease in trade and other receivables		223,871	16,974
Decrease in restricted cash on deposit		103,500	-
Decrease in trade and other payables		(698,517)	(1,594,735)
Decrease in amounts due to intermediate parent undertaking		(43,953)	-
Cash used in operations		(186,409)	(518,302)
Interest received		15	87
Interest paid		(332,300)	(964,189)
Income tax (paid)/received		(41,700)	762,166
Net cash used in operating activities		(560,394)	(720,238)
Cash flows from investing activities			
Net proceeds received on disposal of investment property		39,437,135	-
Property development costs		-	(11,842,954)
Net cash from/(used in) investing activities		39,437,135	(11,842,954)
Net decrease in cash and cash equivalents		38,876,741	(12,563,192)
Cash and cash equivalents at 1 January		(46,527,730)	(33,964,538)
Cash and cash equivalents at 31 December	12	(7,650,989)	(46,527,730)

The notes on pages 10 to 23 are an integral part of these financial statements.

All cash flows arise from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2010

1. Significant accounting policies

The Mound Property Company Limited (the "Company") is a company incorporated and domiciled in Scotland.

The financial statements were authorised for issue by the Directors on 27th June 2011.

(a) Financial statements
The financial statements of The Mound Property Company 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 2010 statutory financial statements set out on pages 5 to 23 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 and the Companies Act 2006 applicable to companies reporting under IFRS. 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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 fair value: Investment Properties.

All operations are now categorised as discontinued.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2010. None of these standards or amendments have had a material impact on these financial statements.

(i) IFRS 3 'Business Combinations'. This revised standard applies prospectively to business combinations from 1 January 2010. The revised standard continues to require the use of the acquisition method of accounting for business combinations. 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 non-controlling interest, and all transaction costs are expensed (other than those in relation to the issuance of debt instruments or share capital).

(ii) 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 remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.

(iii) 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).

(iv) 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.

(v) 'Improvements to IFRSs' (issued April 2009). Sets out minor amendments to IFRS standards as part of the annual improvements process.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(d) IFRS and IFRIC not yet applied
The following pronouncements have been issued but were not effective at 31 December 2010 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Company.

(i) IFRS 9 'Financial Instruments: Classification and Measurement'. Replaces those parts of IAS 39 'Financial Instruments: Recognition and Measurement' relating to the classification, measurement and derecognition of financial assets and liabilities. It 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 investment categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.

IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39. The effective date of the standard is annual periods beginning on or after 1 January 2013.

(ii) 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. The amendment is effective for annual periods beginning on or after 1 February 2010.

(iii) 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 the income statement 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. The interpretation is effective for annual periods beginning on or after 1 July 2010 and is consistent with Lloyds Banking Group's existing accounting policy.

(iv) 'Improvements to IFRSs' (issued May 2010). Sets out minor amendments to IFRS standards as part of the annual improvements process. The effective dates vary on a standard by standard basis but none are effective any earlier than annual periods beginning on or after 1 July 2010.

(v) 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. The amendment is effective for annual periods beginning on or after 1 January 2011.

(vi) Amendments to IAS 24 'Related Party Disclosures'. Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities. The revised standard is effective for annual periods beginning on or after 1 January 2011.

(vii) Amendments to IFRS 7 'Financial Instruments: Disclosures – Disclosures-Transfers of Financial Assets'. Requires additional disclosures in respect of risk exposures arising from transferred financial assets.

At the date of this report, IFRS 9 and Amendments to IFRS 7 are awaiting EU endorsement.

(e) 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 taking into account rent free periods.

(f) Investment property/Investment property under development
Property that is being constructed or developed for future use as investment property is classified as investment property under development and stated at cost (and reviewed annually for impairment) until construction is complete, at which time it is measured at fair value and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recorded as income in the income statement. All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(f) Investment property/Investment property under development (continued)

Investment properties are defined as properties 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. The fair value of the investment property at 31 December 2009 reflects the market evidence of the sales process negotiations over the 2009 year end period. Changes in fair value are recognised in the income statement for the period in which they arise. Investment properties are not depreciated.

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

Investment property is derecognised when it has been disposed of. The gain or loss on disposal of investment property is calculated as the difference between the net disposal proceeds (after deducting direct costs of disposal) and the carrying amount under the fair value model at the date of disposal. The gain or loss is recognised in profit or loss.

(g) Trade and other receivables
Trade and other receivables are classified as current assets if collection is due within one year or less. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

(h) 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.

Cash and cash equivalents which are subject to restrictions over the Company's ability to use these funds are not included in cash and cash equivalents.

(i) Impairment of financial assets
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost – the criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(i) Impairment of financial assets (continued)

If there is objective evidence that an impairment loss on a financial asset or group of financial assets has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

(j) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is the higher of an asset's fair value less costs to sell 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.

At the end of each reporting period the Company assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indicator exists, and there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised, the previously recognised impairment loss is reversed through the Income Statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Interest-bearing borrowings

Interest-bearing 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 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. Interest-bearing borrowings comprise bank overdrafts.

(l) Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(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, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(n) Taxation
Current income tax which is payable/receivable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise. The current income tax charge/income is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised 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. 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.

(o) Foreign Currency
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(p) 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.

(q) Financial assets
(i) Classification
The Company determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired. The Company has classified its financial assets into the following category: loans and receivables.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and other receivables' and 'Restricted cash on deposit' in the Balance Sheet (notes 1(g) and 1(h)).

(ii) Recognition and measurement
Loans and receivable financial assets are initially recognised at fair value plus transaction costs and are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method less provision for impairment.

(r) Financial liabilities
(i) Classification
The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the purpose for which the financial liabilities were issued. The Company has classified its financial liabilities in the following category: other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

1. Significant accounting policies (continued)

(r) Financial liabilities (continued)

Other financial liabilities
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. The Company's other financial liabilities comprise 'Cash and cash equivalents', 'Trade and other payables' and 'Amounts due to intermediate parent undertaking' in the Balance Sheet (notes 1 (h), 1(k) and 1(l)).

(ii) Recognition and measurement
Other financial liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the Balance Sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(t) Critical accounting estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the accounting policies 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.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position, are discussed below.

Critical accounting estimates and assumptions
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) 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.

Critical judgements in applying the entity's accounting policies

No significant judgements have been made in the process of applying the Company's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

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 2010, 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. Gross rental income

	2010	2009
	£	£
Rental income earned from Investment property/Investment property under development	342,190	1,179,751

4. Expenses

	2010	2009
	£	£
Other expenses	113,500	118,267
Fees payable to Company's auditor for the audit of the Company's financial statements	-	2,025
	113,500	120,292

Direct operating (income)/expenses arising from the investment property that generated rental income during the year was £(3,124) (2009: expenses of £8,844).

Direct operating expenses arising from the investment property that did not generate rental income during the year were £116,624 (2009: £109,423).

The Company has no employees and the Directors, who are considered to be key management, received no remuneration in respect their services to the Company.

The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of Lloyds Banking Group and are also substantially engaged in managing their respective business areas within the Wholesale Division of Lloyds Banking Group. It is therefore not possible to make an accurate apportionment of Directors emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors. The total emoluments of the Directors are included in the financial statements of the ultimate parent company, Lloyds Banking Group.

Fees payable to Company's auditor for the audit of the Company's financial statements for the year ended 31 December 2010 will be borne by the Company's parent company Uberior Ventures Limited.

5. Net financing costs

	2010	2009
	£	£
Interest income	15	87
Financial income	15	87
Net foreign exchange loss	-	(3,634)
Interest payable on bank overdraft	(266,037)	(928,570)
Financial expense	(266,037)	(932,204)
Net financing costs	(266,022)	(932,117)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

6. Income tax (credit) / expense

Recognised in the income statement

	2010	2009
	£	£
Current tax		
Current tax on profit for the year	(259,240)	41,701
Income tax (credit) / expense	(259,240)	41,701

The current tax credit is lower (2009: expense is higher) than the standard rate of corporation tax in the UK applied to the profit for the year due to the following factors:

	2010	2009
	£	£
Profit before tax	792,833	127,342
Profit multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	221,993	35,656
Factors affecting the (credit) / expense:		
Book gain covered by capital losses	(481,233)	-
Expenses not deductible for tax purposes	-	6,045
Income tax (credit) / expense	(259,240)	41,701

7. Income tax receivable / (payable)

The current tax asset of £259,239 (2009: liability £41,701) represents the amount of income taxes receivable / payable in respect of the current and prior years.

8. Unrecognised deferred tax asset

A deferred tax asset of £nil (2009: £1,792,000) has not been recognised in respect of capital losses as there are no predicted future capital profits. Capital losses can be carried forward indefinitely.

9. Investment property/investment property under development

	2010	2009
	£	£
Investment property under development		
Balance at 1 January	-	26,767,650
Costs capitalised	-	11,839,320
Transfer to investment property	-	(38,606,970)
Balance as at 31 December	-	-
Investment property		
Balance at 1 January	38,606,970	-
Transfer from investment property under development	-	38,606,970
Fair value movements	-	-
Disposals	(38,606,970)	-
Balance as at 31 December	-	38,606,970

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

9. Investment property/investment property under development (continued)

During the year ended 31 December 2009 the investment property under development was completed and transferred to investment property. At the date of the transfer, no difference was assessed between fair value and carrying value at cost. The investment property was measured at fair value as at 31 December 2009, reflecting the market evidence of the sales process being negotiated over the year end period. No gain or loss was recognised from fair value adjustments.

On the 24 February 2010 the investment property was sold for £40.9m to Scottish Widows Investment Property Trust (an authorised unit trust scheme).

10. Trade and other receivables

	2010	2009
	£	£
Other debtors	40,722	75,736
Prepayments and accrued income	125,000	313,857
	165,722	389,593

11. Restricted cash on deposit

	2010	2009
	£	£
Cash held on deposit	-	103,500
	-	103,500

As at 31 December 2009 cash held on deposit was in respect of a tenant deposit, which was advanced to the Company as security for the due performance by the tenant of their obligations under a lease agreement with the Company. The Company was only entitled to make withdrawals from the deposit under certain defined conditions contained within the deposit agreement. Accordingly the deposit was not included within cash and cash equivalents due to restrictions over the Company's ability to use the funds. Interest earned on this account did not accrue to the Company.

12. Cash and cash equivalents

	2010	2009
	£	£
Bank overdrafts	(7,650,989)	(46,527,730)
	(7,650,989)	(46,527,730)

The facility provided is a variable rate bank overdraft repayable on demand.

13. Capital and reserves

Capital risk management

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 as reported by the previously approved annual accounts according to parameters set out at Group level so as to avoid any build up of reserves balances within the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

13. Capital and reserves (continued)

Share capital

	2010	2009
	£	£
In issue at 31 December	1,000	1,000

At 31 December 2010, the authorised share capital comprised 1,000 £1 ordinary shares (2009: 1,000). All of the issued shares are fully paid.

The holder of 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. All shares rank equally with regard to the Company's residual assets.

14. Trade and other payables

	2010	2009
	£	£
Trade payables	125,000	375,780
Other creditors	-	83,477
Tenant deposit held as security	-	103,500
Accrued expenses	12,925	339,948
	137,925	902,705

15. Operating leases

Prior to 24 February 2010 the investment property was subject to operating leases with a number of tenants. The investment property was sold on 24 February 2010 and the operating leases were novated to the buyer through the sales process.

16. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk, foreign exchange risk and equity risk) and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management with Lloyds Banking Group ("the Group") is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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, primarily from trade and other receivables in relation to tenant service charges and cash on deposit balances with another Group company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

16. Financial instruments (continued)

Credit risk (continued)

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

	2010 £	2009 £
On balance sheet:		
Trade and other receivables (excluding prepayments)	165,722	272,926
Cash held on deposit	-	103,500
	165,722	376,426

The Company does not hold any collateral as security.

Trade and other receivables are carried at amortised cost, whereby any indication of impairment would result in an immediate impairment of the carrying value. These instruments have an internal credit rating of satisfactory.

Other exposures consist of cash held on deposit within Lloyds Banking 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.

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)

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.

Interest-bearing financial instruments are primarily limited to variable interest rates which respond to prevailing market rates of interest. The facility provided is a variable rate bank overdraft. The Company does not consider itself to have significant interest rate exposure as demonstrated by the sensitivity table below.

Interest rate exposure is concentrated within the UK money markets. The principal internal control metric is the interest expense sensitivity which measures how much 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 ("bps") change to all market interest rates as at the balance sheet date.

	2010 £	2009 £
Impact of +25 bps shift	(19,127)	(116,319)
Impact of – 25 bps shift	19,127	116,319

The measure, however, is simplified in that it assumes all interest rates, for all 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 interest expense.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

16. Financial instruments (continued)

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 but foreign exchange risk, primarily with respect to the Euro, was present in the foreign purchases it made during 2009.

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

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 2010

	Up to 1 mth	1-3 mths	3-12 mths	1-5 yrs	Over 5 yrs	Total
	£	£	£	£	£	£
Cash and cash equivalents	7,650,989	-	-	-	-	7,650,989
Trade and other payables	12,925	-	125,000	-	-	137,925
Total liabilities	7,663,914	-	125,000	-	-	7,788,914

As at 31 December 2009

	Up to 1 mth	1-3 mths	3-12 mths	1-5 yrs	Over 5 yrs	Total
	£	£	£	£	£	£
Cash and cash equivalents	46,527,730	-	-	-	-	46,527,730
Trade and other payables (excluding deferred income)	290,449	2,025	375,780	-	-	668,254
Amount due to intermediate parent	43,953	-	-	-	-	43,953
Total liabilities	46,862,132	2,025	375,780	-	-	47,239,937

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

16. Financial instruments (continued)

Fair values
The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Note	Carrying amount 2010	Fair value 2010	Carrying amount 2009	Fair value 2009
		£	£	£	£
Trade and other receivables	10	165,722	165,722	389,593	389,593
Cash held on deposit	11	-	-	103,500	103,500
Amounts due to parent undertaking		-	-	(43,953)	(43,953)
Cash and cash equivalents	12	(7,650,989)	(7,650,989)	(46,527,730)	(46,527,300)
Trade and other payables	14	(137,925)	(137,925)	(902,705)	(902,705)
		(7,623,192)	(7,623,192)	(46,981,295)	(46,981,295)
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.

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

Cash and cash equivalents / Restricted cash on deposit
The fair value of cash and cash equivalents and restricted cash held on deposit repayable on demand is considered to be equal to their carrying value.

17. 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 balances due to and from Bank of Scotland plc and related party transactions are disclosed in the table below.

During 2009 the Company had a related party relationship with Kilmartin Property Group Limited, a company whose parent, Kilmartin Holdings, was owned 50% by Uberior Ventures Limited. Kilmartin Holdings was disposed of by Uberior Ventures Limited during the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2010

17. Related parties (continued)

Related party	**Nature of transaction**	**Note**	Balance at 1 January 2010	**Balance at 31 December 2010**	**Income/expense included in the income statement for the year ended 31 December 2010**	Income/expense included in the income statement for the year ended 31 December 2009	**Disclosure in financial statements**
Bank of Scotland	Deposit account	11	103,500	-	-	-	Cash on deposit
Bank of Scotland	Bank account	12	(46,527,730)	(7,650,989)	-	-	Cash and cash equivalents
Bank of Scotland	Interest payable	5	-	-	(266,037)	(928,570)	Financial expense
Bank of Scotland	Interest receivable	5	-	-	15	87	Financial income
Bank of Scotland	Interest payable	14	79,188	12,925	-	-	Non-trade payables & accrued expenses
Bank of Scotland	Inter-company loan		43,953	-	-	-	Amounts due to intermediate parent
Bank of Scotland	Rental income received		-	-	91,153	197,342	Rental income
Bank of Scotland	Accrued income	10	115,836	-	-	-	Trade and other receivables

17. Parent undertakings

As at 31 December 2010 the Company's immediate parent company was Uberior Ventures Limited. The company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formally Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc has produced consolidated accounts for the year ended 31 December 2010. Copies of the annual report and accounts of Lloyds Banking Group plc for the year ended 31 December 2010 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London, EC2V 7HN.

18. Events after balance sheet date

The Finance (No. 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent with effect from 1 April 2011.

In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax to 26% with effect from 1 April 2011. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011. The proposed further reductions in the rate of corporation tax by 1 per cent per annum to 24 per cent by 1 April 2014 are expected to be enacted separately each year.

Subsequent to the year end, the company's intermediary parent company, Bank of Scotland plc, agreed to unconditionally and irrevocably release the Company from its obligations to repay the sum of £7,608,618 in respect of the bank overdraft position held by the Company. This has been recognised as a capital contribution in the period subsequent to the year end, resulting in an increase in the total equity position of £7,608,618.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' 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 prepared the 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;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 are listed in the Directors' Report, confirm that:

- to the best of their knowledge that the Company's 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 THE MOUND PROPERTY COMPANY LIMITED

We have audited the financial statements of The Mound Property Company Limited for the year ended 31 December 2010 which comprise of the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity, 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 24, 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 2010 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; or
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.

HAnderson

Hamish Anderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 June 2011