

THE MOUND PROPERTY COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009



Company Number SC260380

Directors

Alistair Hewitt

Gary James Macdonald (resigned 8 May 2009)

Bruce Smith Anderson (appointed 19 March 2010)

Company Secretary

Laurence J Edwards

Registered Office

Level 1

Citymark

150 Fountainbridge

Edinburgh

EH3 9PE

DIRECTORS' REPORT**For the year ended 31 December 2009**

The Directors submit their report and audited accounts of The Mound Property Company Limited ("the Company") for the year ended 31 December 2009.

Principal Activity

The Company operates as a property development company and there has been no change in that activity during the year. Subsequent to the year end, the property held by the Company was sold and all operations have been categorised as discontinued.

Results and Dividends

The profit after tax for the Company for the year ended 31 December 2009 was £85,641 (2008: (loss) £7,394,090). The Directors do not recommend payment of a dividend.

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

<u>Director</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
Gary J Macdonald	-	08 May 2009
Alistair Hewitt	-	-
Bruce Smith Anderson	19 March 2010	-

Alistair Hewitt 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.

Post Balance Sheet Events

Details of post balance sheet events are given in Note 18 to the financial statements.

Policy and Practice on Payment of Suppliers

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

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

As the Company owed 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 11 (2008: 39).

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

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

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

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

By Order of the Board



Laurence J Edwards
Company Secretary
30th September 2010

Company Number SC260380

INCOME STATEMENT**For the year ended 31 December 2009**

	Note	2009 £	2008 £
Rental income earned from investment property/investment property under development		1,179,751	115,000
Expenses	3	(120,292)	(94,818)
Impairment of non-current assets		-	(6,400,000)
Operating profit/(loss) before financing costs		<u>1,059,459</u>	<u>(6,379,818)</u>
Financial income		87	-
Financial expenses		<u>(932,204)</u>	<u>(1,410,517)</u>
Net financing costs	4	<u>(932,117)</u>	<u>(1,410,517)</u>
Profit/(Loss) before tax		127,342	(7,790,335)
Income tax (expense)/credit	5	<u>(41,701)</u>	<u>396,245</u>
Profit/(Loss) after tax for the year		<u>85,641</u>	<u>(7,394,090)</u>
Attributable to:			
Equity holders		<u>85,641</u>	<u>(7,394,090)</u>
Profit/(Loss) for the year		<u>85,641</u>	<u>(7,394,090)</u>

The notes on pages 10 to 22 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 2009

	2009 £	2008 £
Profit/(Loss) for the year	<u>85,641</u>	<u>(7,394,090)</u>
Total comprehensive income for the year	<u>85,641</u>	<u>(7,394,090)</u>
 Total comprehensive income attributable to equity shareholders	 <u>85,641</u>	 <u>(7,394,090)</u>
Total comprehensive income for the year	<u>85,641</u>	<u>(7,394,090)</u>

Items in the statement above are disclosed net of tax.


The notes on pages 10 to 22 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2009

	Note	2009 £	2008 £
Assets			
Investment property under development	8	-	26,767,650
Investment property	8	38,606,970	
Total non-current assets		<u>38,606,970</u>	<u>26,767,650</u>
Trade and other receivables	9	389,593	406,567
Income tax receivable	6	-	762,166
Restricted cash on deposit	10	103,500	-
Total current assets		<u>493,093</u>	<u>1,168,733</u>
Total assets		<u>39,100,063</u>	<u>27,936,383</u>
Equity			
Issued capital	12	1,000	1,000
Retained earnings		(8,417,026)	(8,502,667)
Total equity		<u>(8,416,026)</u>	<u>(8,501,667)</u>
Liabilities			
Amounts due to intermediate parent undertaking		43,953	43,953
Cash and cash equivalents	11	46,527,730	33,964,538
Income tax payable	6	41,701	-
Trade and other payables	13	902,705	2,429,559
Total current liabilities		<u>47,516,089</u>	<u>36,438,050</u>
Total liabilities		<u>47,516,089</u>	<u>36,438,050</u>
Total equity and liabilities		<u>39,100,063</u>	<u>27,936,383</u>

The notes on pages 10 to 22 are an integral part of these financial statements.

These financial statements on pages 5 to 22 were approved by the Board of Directors on 30th September 2010 and were signed on its behalf by:


 Director
ALISTAIR HEWITT

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

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2008	1,000	(1,108,577)	(1,107,577)
Loss for the year			
Loss after taxation	-	(7,394,090)	(7,394,090)
Total comprehensive income	-	(7,394,090)	(7,394,090)
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 31 December 2009	1,000	(8,417,026)	(8,416,026)

The notes on pages 10 to 22 are an integral part of these financial statements.

CASH FLOW STATEMENT**For the year ended 31 December 2009**

	Note	2009 £	2008 £
Cash flows from operating activities			
Operating profit/(loss) before financing costs		1,059,459	(6,379,818)
Impairment of non-current assets		-	6,400,000
		<u>1,059,459</u>	<u>20,182</u>
Adjustments for:			
Decrease in trade and other receivables		16,974	227,805
(Decrease)/Increase in trade and other payables		<u>(1,594,735)</u>	<u>1,530,986</u>
Cash generated from operations		<u>(518,302)</u>	<u>1,778,973</u>
Interest received		87	-
Interest paid		(964,189)	(1,343,401)
Income tax received		<u>762,166</u>	<u>-</u>
Net cash from operating activities		<u>(720,238)</u>	<u>435,572</u>
Cash flows from investing activities			
Property development costs		<u>(11,842,954)</u>	<u>(16,107,626)</u>
Net cash from investing activities		<u>(11,842,954)</u>	<u>(16,107,626)</u>
Net decrease in cash and cash equivalents		(12,563,192)	(15,672,054)
Cash and cash equivalents at 1 January		<u>(33,964,538)</u>	<u>(18,292,484)</u>
Cash and cash equivalents at 31 December	11	<u>(46,527,730)</u>	<u>(33,964,538)</u>

The notes on pages 10 to 22 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 2009****1. Significant accounting policies**

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

The financial statements were authorised for issue by the Director on 30th September 2010.

(a) Financial statements

The financial statements of The Mound Property Company Limited comprise of the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement together with the related Notes to the financial statements.

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

(b) Statement of compliance

The 2009 statutory financial statements set out on pages 5 to 22 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 fair value: Investment Properties. All operations are now categorised as discontinued.

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

- (i) IAS 1 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 on amounts recognised in these financial statements.
- (ii) Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments. The amendments require enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of a three level fair value measurement hierarchy for financial instruments carried on the Company's balance sheet at fair value. As the amendments only result in additional disclosures, the amendments have not had any impact on amounts recognised in these financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****1. Significant accounting policies (continued)****(c) Basis of Preparation (continued)**

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

(d) IFRS and IFRIC not yet applied

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

Pronouncement	Nature of change	IASB effective date
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 remeasured at fair value through income, goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed.	Annual periods beginning on or after 1 July 2009.
IAS 27 <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 remeasured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost.	Annual periods beginning on or after 1 July 2009.
IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>	Provides accounting guidance for non-reciprocal distributions of non-cash assets to owners (and those in which owners may elect to receive a cash alternative).	Annual periods beginning on or after 1 July 2009.
Amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>	Clarifies how the principles underlying hedge accounting should be applied in particular situations.	Annual periods beginning on or after 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

1. Significant accounting policies (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****1. Significant accounting policies (continued)****(e) 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.

Investment properties which are defined as properties held either to earn rental income or for capital appreciation or both are initially recognised at cost and fair valued annually. The fair value of the investment property at the 31 December 2009 reflects the market evidence of the sales process negotiations over the year end period. Any gains or losses arising from a change in the fair value are recognised in the income statement in the period that they occur through other operating income. Investment properties are not depreciated.

(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 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.

(i) Impairment

The carrying amount of the Company's assets, and deferred tax assets, are reviewed each balance sheet date to determine whether there is any indication of impairment. Individual impairment is identified at a counterparty specific level following objective evidence that a financial asset is impaired. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

ii. Reversal 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 amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****1. Significant accounting policies (continued)****(j) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing 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.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(m) Taxation

Current income tax which is payable/recoverable on taxable profits/losses is recognised as an expense/credit in the period in which the profits/losses arise.

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

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

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

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

(n) 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.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****1. Significant accounting policies (continued)****(o) Critical accounting estimates and judgements (continued)****(i) Investment property and impairment of investment property under development**

The significant judgements made by management in applying the Company's accounting policies are discussed in note - 1 (f) 'Investment property/investment property under development'; and note - 1 (i) 'Impairment'.

(ii) 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.

2. Going concern – Principles underlying going concern assumption

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

3. Expenses

	2009 £	2008 £
Other expenses	118,267	92,813
Audit fees	2,025	2,005
	<u>120,292</u>	<u>94,818</u>

Direct operating expenses arising from the investment property that generated rental income during the period were £8,844 (2008:nil).

Direct operating expenses arising from the investment property that did not generate rental income during the period were £109,423 (2008:£92,813).

The company has no employees and the Director received no remuneration in respect his services to the company.

4. Net financing costs

	2009 £	2008 £
Interest income	87	-
Financial income	<u>87</u>	<u>-</u>
Foreign exchange loss	(3,634)	-
Interest payable on bank overdraft	(928,570)	(1,410,517)
Financial expense	<u>(932,204)</u>	<u>(1,410,517)</u>
Net financing costs	<u>(932,117)</u>	<u>(1,410,517)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****5. Income tax expense/(credit)****Recognised in the income statement**

	2009 £	2008 £
Current tax expense/(credit)		
Current year tax on profit/(loss)	41,701	(396,245)
	<u>41,701</u>	<u>(396,245)</u>

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

	2009 £	2008 £
Profit/(Loss) before tax	127,342	(7,790,335)
Profit/(Loss) multiplied by the standard rate of corporation tax in the UK of 28% (2008: 28.5%)	35,656	(2,220,245)
Losses unutilised	-	1,824,000
Expenses not deductible for tax purposes	6,045	-
Tax expense / (credit)	<u>41,701</u>	<u>(396,245)</u>

6. Current tax liability/asset

The current tax liability of £41,701 (2008: asset £762,166) represents the amount of income taxes payable / receivable in respect of the current and previous periods.

7. Unrecognised deferred tax asset

A deferred tax asset of £1,792,000 (2008: £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.

8. Investment property/investment property under development

	2009 £	2008 £
Balance at 1 January	26,767,650	16,637,146
Costs capitalised	11,839,320	16,530,504
Impairment	-	(6,400,000)
Transfer to investment property	(38,606,970)	-
Balance as at 31 December	<u>-</u>	<u>26,767,650</u>
Fair value of investment property	<u>38,606,970</u>	<u>-</u>

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2009

9. Trade and other receivables

	2009	2008
	£	£
Other debtors	75,736	226,702
Prepayments and accrued income	313,857	179,865
	<u>389,593</u>	<u>406,567</u>

10. Cash on deposit

	2009	2008
	£	£
Cash held on deposit	103,500	-
	<u>103,500</u>	<u>-</u>

Cash held on deposit is 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 is only entitled to make withdrawals from the deposit under certain defined conditions contained within the deposit agreement. Accordingly the deposit has not been included within cash and cash equivalents due to restrictions over the Company's ability to use these funds. Interest earned on this account does not accrue to the Company.

11. Cash and cash equivalents

	2009	2008
	£	£
Bank overdrafts	(46,527,730)	(33,964,538)
	<u>(46,527,730)</u>	<u>(33,964,538)</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 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.

Share capital

	2009	2008
	£	£
In issue at 31 December	<u>1,000</u>	<u>1,000</u>

At 31 December 2009, the authorised share capital comprised 1,000 ordinary shares (2008: 1,000). All of the issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****13. Trade and other payables**

	2009	2008
	£	£
Trade payables	375,780	1,775,622
Other creditors	83,477	537,126
Tenant deposit held as security	103,500	-
Accrued expenses	339,948	116,811
	<u>902,705</u>	<u>2,429,559</u>

14. Operating leases

Throughout the year the investment property was subject to operating leases with a number of tenants. As disclosed in note 18, the investment property was sold on 24 February 2010 subsequent to the year end; the operating leases have now been novated to the buyer through the sales process.

15. Financial instruments**Credit risk**

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. Credit exposures arise in the normal course of the Company's business, primarily from trade and other receivables in relation to tenant service charges and 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
	£	£
<u>On balance sheet:</u>		
Trade and other receivables	272,926	226,702
Cash held on deposit	103,500	-
	<u>376,426</u>	<u>226,702</u>

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, neither were there any financial assets that would otherwise be past due or impaired.

Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****15. Financial instruments (continued)****Interest rate risk**

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

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 change to all market interest rates as at the balance sheet date.

	2009	2008
	£	£
Impact of +25 bps shift	(116,319)	(84,911)
Impact of – 25 bps shift	116,319	84,911

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.

Foreign exchange risk

Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The Company has no foreign currency investments but foreign exchange risk is present in the foreign purchases it makes.

Equity risk

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

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****15. Financial instruments (continued)****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	290,449	2,025	375,780	-	-	668,254
Amount due to intermediate parent	43,953	-	-	-	-	43,953
Total liabilities	47,017,396	2,025	375,780	-	-	47,395,201

As at 31 December 2008

	Up to 1 mth £	1-3 mths £	3-12 mths £	1-5 yrs £	Over 5 yrs £	Total £
Cash and cash equivalents	34,052,714	-	-	-	-	34,052,714
Trade and other payables	1,899,549	-	-	530,010	-	2,429,559
Amount due to intermediate parent	43,953	-	-	-	-	43,953
Total liabilities	35,996,216	-	-	530,010	-	36,526,226

Fair values

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

	Note	Carrying amount 2009	Fair value 2009	Carrying amount 2008	Fair value 2008
Trade and other receivables	9	389,593	389,593	406,567	406,567
Cash held on deposit	10	103,500	103,500	-	-
Amounts due to parent undertaking		(43,953)	(43,953)	(43,953)	(43,953)
Cash and cash equivalents	11	(46,527,730)	(46,527,300)	(33,964,538)	(33,964,538)
Trade and other payables	13	(902,705)	(902,705)	(2,429,559)	(2,429,559)
		(46,981,295)	(46,981,295)	(36,031,483)	(36,031,483)
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****16. Related parties**

The company has a related party relationship with its intermediate parent company, Bank of Scotland plc and 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.

A number of banking transactions are entered into with Bank of Scotland plc in the normal course of business including loans and deposits. There are also transactions with Kilmartin Property Group Limited.

The balances due to and from Bank of Scotland plc and Kilmartin Property Group Limited are disclosed in the table below.

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

Related party	Nature of transaction	Outstanding balance at 1 January 2009	Outstanding balance at 31 December 2009	Income/expense included in the income statement for the year ended 31 December 2009	Income/expense included in the income statement for the year ended 31 December 2008	Disclosure in financial statements
Bank of Scotland	Deposit account	-	103,500	-	-	Cash on deposit
Bank of Scotland	Bank account	33,964,538	46,527,730	-	-	Cash and cash equivalents
Bank of Scotland	Interest payable	-	-	928,570	1,410,517	Financial expense
Bank of Scotland	Interest receivable	-	-	87	-	Financial income
Bank of Scotland	Interest payable	114,807	79,188	-	-	Non-trade payables & accrued expenses
Bank of Scotland	Intercompany loan	43,953	43,953	-	-	Amounts due to intermediate parent
Bank of Scotland	Rental income received	-	-	197,342	-	Rental income
Bank of Scotland	Accrued income	-	115,836	-	-	Trade and other receivables

17. Parent undertakings

As at 31 December 2009 the Company's immediate parent company was Uberior Ventures Limited. The company regarded by the director 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**For the year ended 31 December 2009****18. Events after balance sheet date**

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

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

The Finance (No. 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28 per cent to 27 per cent with effect from 1 April 2011. The effect of the change would be to reduce the unrecognised deferred tax asset by £64,000.

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 starting in 2011. The effect of these further changes upon the Company's unrecognised deferred tax asset cannot be reliably quantified at this stage.

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 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 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 loss 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 2009 which comprise of the Income Statement, the Statement of Comprehensive Income, Balance Sheet, 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 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

30 September 2010