

UBERIOR VENTURES (FOUNTAINBRIDGE 2) LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

Company Number SC335594



Directors

A J Hewitt
J R Pike

Secretary

L J Edwards

Registered Office

Level 2
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
EDINBURGH
EH1 2EG

Bankers

Bank of Scotland
Head Office
The Mound
EDINBURGH
EH1 1YZ

REPORT OF THE DIRECTORS

Directors

A J Hewitt
J R Pike

The Directors submit their report and audited accounts of the Company for the period ended 31 December 2008.

Incorporation

The Company was incorporated on 21 December 2007.

Activity and business review

The Company operates as a developer of residential properties. In May 2008 the Company acquired land for the purpose of constructing residential properties. Subsequent costs of development have been capitalised during the period to 31 December 2008.

The Company is funded by both interest bearing and non-interest bearing borrowings. The reported loss for the period is in line with the Company's business model, being attributable to financing of the interest bearing facilities.

The Company remains committed to the business of developing properties for retail to the residential property market and will continue to develop such investment in the future.

Results and Dividends

The Company's loss before tax for the financial period is £9,124,149. Directors do not recommend payment of a dividend in the period.

Directors and their Interests

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

Dates of appointments and resignations were as follows:-

<u>Director</u>	<u>Date of appointment</u>	<u>Date of resignation</u>
A J Hewitt	24.08.2008	-
J R Pike	06.05.2008	-
D McDonald	17.06.2008	04.11.2008
R H McNaughton	24.04.2008	17.06.2008
D.W. Director 1 Limited	21.12.2007	24.04.2008

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

REPORT OF THE DIRECTORS (CONTINUED)

Going Concern

As set out in Note 2 - 'Principles underlying Going Concern Assumption' of the Notes to the Financial Statements, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future and consequently the going concern basis continues to be appropriate in preparing the Financial Statements.

Post Balance Sheet Events

Details of post balance sheet events including the acquisition of HBOS plc by Lloyds Group TSB plc are given in Note 18 to the Financial Statements.

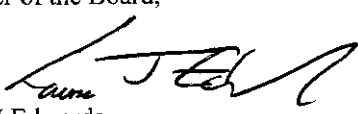
Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Company Secretary

L J Edwards

By Order of the Board,



L J Edwards
Secretary

20th April 2009

Registered Office
Bank of Scotland,
Level 2
Citymark
150 Fountainbridge
EDINBURGH
EH3 9PE

Income Statement**For the period 21 December 2007 to 31 December 2008**

	Note	21 December 2007 to 31 December 2008 £
Other income	3	1,011
Other expenses	4	(123,479)
Net other income		<u>(122,468)</u>
Write off of Stock	7	(8,000,000)
Operating loss before financing costs		<u>(8,122,468)</u>
Financial income	5	43,353
Financial expenses	5	(1,045,034)
Net financing costs		<u>(1,001,681)</u>
Loss before tax		<u>(9,124,149)</u>
Income Tax	6	-
Loss after tax for the period		<u>(9,124,149)</u>
Attributable to:		
Equity holders		<u>(9,124,149)</u>
Loss for the period		<u>(9,124,149)</u>

The notes on pages 9 to 19 form part of the Financial Statements.

Statement of Recognised Income and Expense**For the period 21 December 2007 to 31 December 2008**

	Note	21 December 2007 to 31 December 2008 £
Loss for the period		(9,124,149)
Total recognised income and expense for the period	10	<u>(9,124,149)</u>
Attributable to:		
Equity holders		<u>(9,124,149)</u>
Loss for the period		<u>(9,124,149)</u>

The notes on pages 9 to 19 form part of the Financial Statements.

Balance Sheet**As at 31 December 2008**

	Note	2008 £
Assets		
Inventories	7	21,899,943
Total non-current assets		<u>21,899,943</u>
Trade and other receivables	8	241,103
Cash and cash equivalents	9	284,137
Total current assets		<u>525,240</u>
Total assets		<u>22,425,183</u>
Equity		
Issued capital	10	1,000,000
Retained earnings	10	(9,124,149)
Total equity		<u>(8,124,149)</u>
Liabilities		
Accruals	11	8,625,760
Debt securities in issue	12	8,658,000
Total non-current liabilities		<u>17,283,760</u>
Interest-bearing loans and borrowings	13	13,250,296
Trade and other payables	14	15,276
Total current liabilities		<u>13,265,572</u>
Total liabilities		<u>30,549,332</u>
Total equity and liabilities		<u>22,425,183</u>

The notes on pages 9 to 19 form part of the Financial Statements.

Approved by the board at a meeting on 20th April 2009 and signed on its behalf by:

.....  Director

Statement of Cash Flows**For the period 21 December 2007 to 31 December 2008**

	Note	21 December 2007 to 31 December 2008 £
Cash flows from operating activities		
Operating loss		(8,122,468)
Increase in Trade and other Receivables		(241,103)
Increase in Trade and other Payables		15,276
Stock write down		8,000,000
Acquisition of stock		(21,274,183)
Cash generated from operations		<u>(21,622,478)</u>
Interest paid		(1,045,034)
Net cash from operating activities		<u>(22,667,512)</u>
Cash flows from investing activities		
Interest received		43,353
Net cash inflow from investing activities		<u>43,353</u>
Cash flows from financing activities		
Increase in borrowings		13,250,296
Debt securities issued		8,658,000
Equity share capital issued		1,000,000
Net cash from financing activities		<u>22,908,296</u>
Increase in cash and cash equivalents		284,137
Cash and cash equivalents at 21 December 2007		-
Cash and cash equivalents at 31 December 2008	9	<u>284,137</u>

The notes on pages 9 to 19 form part of the Financial Statements.

Notes to the Financial Statements

1. Significant accounting policies

Uberior Ventures (Fountainbridge 2) Limited ("the Company") is a Company domiciled in Scotland.

The Financial Statements were authorised for issue by the directors on 20th April 2009.

(a) Financial Statements

The Financial Statements of Uberior Ventures (Fountainbridge 2) Limited comprise the Income Statement, Balance Sheet, Cash Flows Statement and Statement of Recognised Income and Expense together with the related Notes to the Financial Statements.

(b) Statement of compliance

The 2008 Financial Statements set out on pages 5 to 19 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.

The Financial Statements also comply with the relevant provisions of Part VII of the Companies Act 1985, as amended by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004.

(c) Basis of preparation

The Financial Statements have been prepared under the historical cost basis.

(d) IFRS not yet applied

The following standards and interpretations have not yet been adopted by the European Union, are not effective for the year ended 31 December 2008 and have not been applied in preparing the Financial Statements. Where appropriate, disclosures will be revised in the Financial Statements in the year in which the standard or interpretation becomes applicable.

Amendments to IAS 1 'Presentation of Financial Statements: A Revised Presentation' which is effective for periods commencing on or after 1 January 2009. The revised standard will affect the presentation of owner changes in equity and of comprehensive income. Adoption will not change the recognition, measurement or disclosure of specific transactions or events as required by other standards.

IFRS 1 'First-time adoption of IFRS' which is effective for periods commencing on or after 1 January 2009. As the Group and Company reports under IFRS, the application of this amendment in 2008 would not have any effect upon the Financial Statements.

'Improvements to IFRS 2008'. The majority of these improvements are effective for periods commencing on or after 1 January 2009 and their application would not have had a material effect upon the Financial Statements.

(e) Inventories

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

(f) Trade and other receivables

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

Notes to the Financial Statements (continued)**(g) Cash and cash equivalents**

Cash and cash equivalents consist of cash and balances at central banks that are freely available, and loans and advances to banks with an original maturity of three months or less.

(h) 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. They 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.

(i) Taxation

Income tax on the profit or loss for the year comprises current tax and deferred tax if applicable. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that are enacted or substantially enacted at the balance sheet date. Where there is uncertainty as to the availability of future profits that the losses could be utilised against no deferred tax asset will be recognised.

(j) Debt securities in issue

The Debt securities in issue are held at amortised cost. They are originally recognised at fair value plus directly related incremental transaction costs and are subsequently carried on the balance sheet at amortised costs using the effective interest rate method.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) Impairment

The carrying amounts of the Company's assets, and deferred tax assets, if any, are reviewed at 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. This may be after an interest or principal payment is missed or if a banking covenant is breached. If any such indication exists, the asset's recoverable amount is estimated.

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

(i) Calculation of recoverable amount

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

Notes to the Financial Statements (continued)**(l) Impairment (continued)****(ii) Reversals of impairment**

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

(m) Expenses**(i) 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.

2. Going Concern – Principles underlying Going Concern Assumption

The Financial Statements have been prepared on a going concern basis, which assumes the continued support of other group companies. If this support were not forthcoming the Company would have to reduce the monetary value of assets to recoverable amounts, to provide for further liabilities that might arise and reclassify all assets and liabilities as current assets and liabilities.

During 2008, global financial markets experienced difficult conditions which have been characterised by a marked reduction in liquidity. As a consequence of this, governments and central banks carried out a series of actions to address the lack of liquidity within their respective banking systems. In the UK these actions have included the introduction by the Bank of England of liquidity support, through schemes (collectively "Bank of England facilities") such as the extended Long-Term Repo open market operations and the Special Liquidity Scheme ('SLS') whereby banks and building societies can exchange eligible securities for UK Treasury bills; and the creation of a credit guarantee scheme by HM Treasury, providing a government guarantee for certain short and medium term senior debt securities issued by eligible banks. During 2008 HBOS plc has made use of these measures in order to maintain and improve a stable funding position.

In the context of this continued turbulence and uncertainty in the financial markets, combined with a deteriorating global economic outlook, HBOS plc has also taken steps to strengthen its capital position in order to provide a buffer against further shocks to the financial systems and to ensure that it remains competitive. On 15 January 2009, in conjunction with the takeover of HBOS plc by Lloyds TSB Group plc, HBOS plc raised £11,345m (net after costs) in preference and ordinary share capital (Note 18).

On 16 January 2009, following completion of the acquisition of HBOS plc by Lloyds Banking Group plc, HBOS plc became a wholly owned subsidiary and became dependent upon the ultimate parent and its banking subsidiaries for its capital, liquidity funding needs.

There is a risk despite the substantial measures taken so far by governments that further deterioration in the markets could occur. In addition the economic conditions in the UK are deteriorating more quickly than previously anticipated placing further strain on the Lloyds Banking Group's capital resources. The key dependencies on successfully funding the Lloyds Banking Group's balance sheet include the continued functioning of the money and capital markets at their current levels; the continued access of the Lloyds Banking Group to central bank and Government sponsored liquidity facilities including access to HM Treasury's credit guarantee scheme and access to the Bank of England's various facilities; limited further deterioration in the Lloyds Banking Group's credit ratings; and no significant or sudden withdrawal of deposits resulting in increased reliance on money markets or Government support schemes.

Based upon projections prepared by Lloyds Banking Group plc management which take into account the acquisition on 16 January 2009 of HBOS plc and its subsidiaries (Note 18) together with the Lloyds Banking Group's current ability to fund in the market and the assumption that announced government sponsored schemes will continue to be available, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. The Company has

Notes to the Financial Statements (continued)

2. Going Concern – Principles underlying Going Concern Assumption (continued)

received confirmation that it is the current intention of Lloyds Banking Group plc to ensure that the Company, as a subsidiary of HBOS plc, should have at all times for the foreseeable future access to adequate resources to continue to trade and meet their liabilities as they fall due. Accordingly, the Financial Statements of the Company have been prepared on a going concern basis.

3. Other income

	2008 £
Income from:	
Rental income	1,011
	<u>1,011</u>

4. Other expenses

	2008 £
Security and maintenance	(120,979)
Audit fees	(2,500)
	<u>(123,479)</u>

5. Net financing costs

	2008 £
Interest income	43,353
Financial income	<u>43,353</u>
Interest expense	(1,045,034)
Financial expense	<u>(1,045,034)</u>
Net financing costs	<u>(1,001,681)</u>

6. Income tax expense

Recognised in the income statement

	2008 £
Current tax expense	
Current year	-
Total Income tax expense in the income statement	<u>-</u>

Reconciliation of effective tax rate

	2008 £
Loss before tax	(9,124,149)
Loss multiplied by the standard rate of corporation tax in the UK average 28.5% (2007: 30%)	(2,600,382)
Tax loss not utilised	2,600,382
Total tax in income statement	<u>-</u>

Notes to the Financial Statements (continued)**6. Income tax expense (continued)**

There is an unrecognised deferred tax asset in respect of this carried forward trading loss of £2,554,762 and a deferred tax asset has not been recognised in light of the uncertainty as to the availability of future profits that the losses could be utilised against.

7. Inventories

	2008
	£
At 21 December 2007	-
Additions	29,899,943
Stock write off	<u>(8,000,000)</u>
At 31 December 2008	<u>21,899,943</u>

Inventories comprise land and buildings acquired for the purpose of conversion to residential units for sale in the residential property market. Inventories with a carrying value of £21,899,943 are pledged as security in respect of the bank loan facility as disclosed in note 13 to the accounts.

8. Trade and other receivables

	2008
	£
Other trade receivables and prepayments	241,103
	<u>241,103</u>

9. Cash and cash equivalents

	2008
	£
Bank deposits	284,137
Cash and cash equivalents in the statement of cash flows	<u>284,137</u>

10. Capital and reserves

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

Reconciliation of movement in capital and reserves**Attributable to equity holders of the parent**

	Share capital	Retained Earnings	Total equity
	£	£	£
Balance at 21 December 2007	-	-	-
Total recognised income and expense	-	(9,124,149)	(9,124,149)
Equity share capital issued	1,000,000	-	1,000,000
Balance at 31 December 2008	<u>1,000,000</u>	<u>(9,124,129)</u>	<u>(8,124,149)</u>

Notes to the Financial Statements (continued)

10. Capital and reserves (continued)

Share capital

Ordinary shares
2008
£

On issue at 31 December 2008

1,000,000

The Company was incorporated on 21 December 2007 with an authorised share capital of 1,000 (£1) Ordinary Shares, of which 1 was issued and fully subscribed.

On 24 April 2008 the Company resolved to increase the authorised share capital of the Company to 2,000,000 (£1) Ordinary Shares, and on that date a further 999,999 shares were issued.

As at 31 December 2008, the authorised share capital comprised 2,000,000 (£1) Ordinary Shares. All 1,000,000 of the issued shares are fully paid.

Holders of the Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company.

11. Accruals

Deferred
Consideration

2008
£

Balance at 21 December 2007
Deferred consideration on acquisition
of Stock
Balance at 31 December 2008

8,625,760
8,625,760

Provision has been made for further consideration payable in respect of land acquired during the period. This consideration is uncertain as to timing, being payable at such time as local authority planning consent is achieved for the development proposed on the site, or a long-stop date of 31 December 2010, whichever is the earlier. It has been assessed that the effect of the time value of money is not material to measurement of this provision therefore discounting has not been applied.

12. Debt securities in issue

This note provides information about the contractual terms of the Company's Debt Securities. For more information about the Company's exposure to interest rate risk, see note 15.

2008
£

Non-Current liabilities

Debt securities in issue

8,658,000
8,658,000

Terms and debt repayment schedule

Debt securities in issue comprise unsecured, zero coupon loan stock issued in May 2008 with a redemption date of 31 May 2011.

Notes to the Financial Statements (continued)**13. Interest-bearing loans and borrowings**

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

	2008 £
Current liabilities	
Bank loan	13,250,296
	<u>13,250,296</u>

Terms and debt repayment schedule

The bank loan represents amounts due to the Company's intermediate parent Company, Bank of Scotland plc. The loan is due to be repaid in May 2011. The loans bear interest at a variable rate of LIBOR + 2.5% per annum, payable quarterly.

The bank loan is secured by standard security over the Company's inventories, and also by floating charge over the assets of the Company.

14. Trade and other payables

	2008 £
Trade payables and accrued expenses	15,276
	<u>15,276</u>

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. The table below sets out the maximum exposure to credit risk at the Balance Sheet date.

	2008 £
On Balance Sheet	
Cash and cash equivalent balances	284,137
Trade and other receivables	241,103
	<u>525,240</u>

Exposures consist of cash at bank, trade and other receivables. Cash and cash equivalents are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. These instruments consist of bank balances with the Group and have an internal credit rating of better than satisfactory. Trade and other receivables consists of cash held with an external Property Management company, to cover expenses arising on the property, and amounts prepaid to a related party in relation to debt arrangement fees. 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)

Notes to the Financial Statements (continued)

15. Financial instruments (continued)

Interest rate risk

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

The Company's cash and cash equivalent balances generate variable interest income. The financial liabilities comprise variable rate borrowing provided by an HBOS plc Group Company and they are used to finance the Company's development activities. The Company does not have any significant interest rate exposure as demonstrated by the net interest income (NII) sensitivity table below.

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

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

	2008 £
Impact of +25 bps shift	31,996
Impact of - 25 bps shift	(31,996)

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

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 HBOS group Company subject to internal limits. Overall liquidity of the HBOS plc 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 2008	Up to 1 mth	1-3 mths	3-12 mths	1-5 yrs	Over 5 yrs	Total
	£	£	£	£	£	£
Interest bearing loans and borrowings	-	-	-	15,037,778	-	15,037,778
Trade and Other Payables	15,276	-	-	-	-	15,276
Debt securities in issue	--	-	-	8,658,000	-	8,658,000
Total liabilities	15,276	-	-	23,695,778	-	23,711,054

Notes to the Financial Statements (continued)**15. Financial instruments (continued)****Fair values**

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

	Note	Carrying amount 2008 £	Fair value 2008 £
Trade and other receivables	8	241,103	241,103
Cash and cash equivalents	9	284,137	284,137
Accruals	11	(8,625,760)	(8,625,760)
Debt securities in issue	12	(8,658,000)	(8,109,233)
Interest bearing loans and borrowings	13	(13,250,296)	(14,035,616)
Trade and Other Payables	14	(15,276)	(15,276)
		<u>(30,024,092))</u>	<u>(30,260,645)</u>

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

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

Debt Securities and Accruals

Fair value is calculated based on discounted expected future principal and interest cash flows.

Interest bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

16. Related Parties

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

The Company also has related party relationships with its parent Company Uberior Ventures Limited. This relationship arose due to the provision of funding.

Notes to the Financial Statements (continued)**16. Related Parties (continued)**

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

Nature of transaction	Related Party	Balance at 21 December 2007	Balance at 31 December 2008	Income/ (expense) included in income statement for the period ended 31 December 2008	Disclosure in financial statement
		£	£	£	
Term loan	Bank of Scotland plc	-	(13,250,296)		Interest bearing loans and borrowings
Interest payable on term loan	Bank of Scotland plc	-		(930,958)	Financial expense
Bank deposit account	Bank of Scotland plc	-	284,137		Cash and cash equivalents
Interest receivable on bank deposit account	Bank of Scotland plc	-		42,642	Financial income
Loan stock investment	Uberior Ventures Limited	-	(8,658,000)	-	Debt securities in issue
Equity shareholding	Uberior Ventures Limited	-	(1,000,000)	-	Issued capital

17. Parent Undertakings

As at 31 December 2008 the Company's immediate parent Company was Uberior Ventures Limited. The Company regarded by the directors as the ultimate parent Company at 31 December 2008 was HBOS plc, a limited liability Company incorporated and domiciled in Scotland, which was also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. The Bank of Scotland plc group was the parent undertaking of the smallest such group of undertakings.

From 16th January 2009, Uberior (Fountainbridge 2) Limited's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group plc) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN.

Prior to 16th January 2009, HBOS plc was the ultimate parent undertaking of Uberior (Fountainbridge 2) Limited. Copies of the annual report and accounts of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

Notes to the Financial Statements (continued)**18. Events after Balance sheet date**

On 18 September 2008, with the support of the UK Government, the boards of HBOS plc and Lloyds TSB Group plc announced that they had reached agreement on the terms of the recommended acquisition of HBOS plc by Lloyds TSB Group plc. The terms of the acquisition were subsequently amended, as announced on 13 October 2008, at the same time as the announcement of the participation by HBOS plc and Lloyds TSB Group plc in the Government's action plan to recapitalise some of the major UK banks. The acquisition was to be implemented by means of a scheme of arrangement with a separate scheme of arrangements in relation to preference shares, under sections 895 to 899 of the Companies Act 2006.

On 12 January 2009 the Court of Session in Edinburgh, Scotland made an order sanctioning the scheme of arrangement for the acquisition and the preference share scheme of arrangement. The last day of trading in HBOS plc ordinary and preference shares was 14 January 2009.

On 15 January 2009 HBOS plc raised £11.5bn of capital (before costs and expenses) through an issue of £8.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £3bn of new preference shares. Lloyds TSB Group plc raised £4.5bn (before costs and expenses) through an issue of £3.5bn of new ordinary shares under a placing with HM Treasury subject to clawback by existing shareholders, and an issue to HM Treasury of £1bn of new preference shares.

On 16 January 2009 the Lloyds TSB Group plc acquisition of HBOS plc completed following final court approval and Lloyds TSB Group plc was renamed Lloyds Banking Group plc. The exchange of HBOS plc shares for Lloyds Banking Group plc shares took place at an exchange ratio of 0.605 of a new Lloyds Banking Group plc share for every one HBOS plc share held. As a result, the UK Government through HM Treasury owned approximately 43.4% of the enlarged ordinary share capital of Lloyds Group plc. In addition, each class of preference share issued by HBOS plc, including the preference shares issued to HM Treasury in the capital raising was replaced with an equal number of new Lloyds Banking Group plc preference shares.

HBOS plc ordinary and preference shares were de-listed from the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange was cancelled on 19 January 2009 when trading in the new Lloyds Banking Group plc shares commenced.

On 7 March 2009, the Company's ultimate parent undertaking, Lloyds Banking Group plc, announced its intention to participate in the Government's Asset Protection Scheme. Lloyds Banking Group plc intends to participate in the Scheme in respect of assets and exposures on its consolidated balance sheet with an aggregate book value of approximately £250bn and will pay a fee to HM Treasury of £15.6bn which will be amortised over an estimated 7 year period. The proceeds of this fee will be applied by HM Treasury in subscribing for an issue of "B" shares of Lloyds Banking Group plc, carrying a dividend of the greater of 7 per cent per annum and 125 per cent of the dividend on ordinary shares.

Lloyds Banking Group plc has also agreed to replace the £4bn of preference shares held by HM Treasury with new ordinary shares which will be offered to eligible Lloyds Banking Group plc shareholders pro rata to their existing shareholdings at a fixed price of 38.43 pence per ordinary share. These new ordinary shares will be offered to shareholders and new investors on the same basis as the Placing and Open Offer in November 2008. The ordinary share offer is fully underwritten by HM Treasury on substantially the same fee basis as the Placing and Open Offer conducted in November 2008.

Participation in the Scheme and the replacement of the preference shares is subject to approval by eligible Lloyds Banking Group plc shareholders.

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 Company Financial Statements for each financial year. Under that law the directors have elected to prepare the Company Financial Statements in accordance with IFRSs as adopted by the EU.

The Company Financial Statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report and a Business Review.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
UBERIOR VENTURES (FOUNTAINBRIDGE 2) LIMITED**

We have audited the Financial Statements of Uberior Ventures (Fountainbridge 2) Limited for the period ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 20.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2008 and of its loss for the ~~year~~^{period} then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and;
- the information given in the Directors' Report is consistent with the Financial Statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Edinburgh

20 April 2009