

Horizon Property Investments (South) Limited

Report and Financial Statements

For the year ended 31 December 2012

Company Number SC155137

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Horizon Property Investments (South) Limited
Report and Financial Statements

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Horizon Property Investments (South) Limited
Report and Financial Statements

Company Information

Board of Directors

P S Dickson
J J Green
A W J Wilson

Company Secretary

Lloyds Secretaries Limited

Registered office

Level 1
Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

Independent Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Bankers

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN

Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ

Company Number

SC155137

Horizon Property Investments (South) Limited

Report and Financial Statements

Directors' Report

The Directors are pleased to present their report and audited financial statements for Horizon Property Investments (South) Limited ('the Company') for the year ended 31 December 2012. The Company is a limited company both incorporated and domiciled in Scotland.

Principal activity and review of business

The Company's principal activity is the acquisition of land and properties, which will be developed and sold for residential purposes. There have been no property transactions in the year and the Company currently owns no land or property investments (2011: none).

Results and dividends

The loss after tax for the Company for the year to 31 December 2012 was £1,079 (2011: £1,011 loss). No dividends were paid during the year (2011: £nil).

Financial instruments

The financial risk management objectives and policies of the Company and the exposure to market risk, credit risk, interest rate risk and liquidity risk are covered in note 11 to the financial statements.

Going concern

As set out in note 3 of the financial statements, the Directors are intending to wind up the company within 12 months from the signing of this Report and Financial Statements. Consequently it has not been deemed appropriate to prepare the financial statements under a going concern basis and therefore a break up basis has been applied.

Directors and their interests

The Directors of the company who were in office at the date of signing the financial statements and this report are as stated on page 3.

Dates of appointment and resignation of Directors during the year and up to the date of this report were as follows:

Director	Date of Appointment	Date of Resignation
P R Harries	-	29 th June 2012
K M Bothwell	-	2 nd July 2012
J A Pearce	-	16 th August 2013
P S Dickson	2 nd July 2012	-
A W J Wilson	2 nd July 2012	-
J J Green	2 nd July 2012	-

Company Secretary

The Company Secretary at the date of this report is as stated on page 3.

Dates of appointment and resignation during the year and up to the date of this report were as follows:

Company Secretary	Date of Appointment	Date of Resignation
L J Edwards	-	2 nd July 2012
Lloyds Secretaries Ltd	2 nd July 2012	-

Horizon Property Investments (South) Limited
Report and Financial Statements

Directors' Report (continued)

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the next meeting.

Statement of Directors' responsibilities

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. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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.

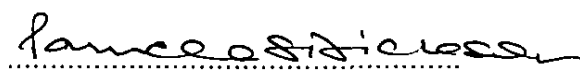
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to independent auditors:

In the case of each of the persons who are Directors of the Company at the time when this report was approved, the following applies:

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware. Each of the Directors has taken all the steps that ought to have been taken as a Director of the Company in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of Horizon Property Investments (South) Limited:



P S Dickson
Director

27 September 2013

Horizon Property Investments (South) Limited Report and Financial Statements

Independent Auditors' Report to the Members of Horizon Property Investments (South) Limited

We have audited the financial statements of Horizon Property Investment (South) Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, the Accounting Policies 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 Statement of Directors' responsibility set out on page 5, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the going concern basis of accounting. Following the year end the directors have decided that the company will cease trading during the next financial year. Accordingly, the going concern basis of accounting is no longer appropriate. There were no adjustments as a result of preparing the financial statements on a break up basis rather than a going concern basis.

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.

Horizon Property Investments (South) Limited
Report and 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.



Gillian McCort (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 September 2013

Horizon Property Investments (South) Limited
Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 £	2011 £
Other expenses	4	<u>(1,500)</u>	<u>(1,500)</u>
Operating loss before financing costs		(1,500)	(1,500)
Financial income	5	<u>70</u>	<u>125</u>
Loss before tax		<u>(1,430)</u>	<u>(1,375)</u>
Income tax credit	6	351	364
Loss after tax for the year		<u>(1,079)</u>	<u>(1,011)</u>

There are no other items of comprehensive income other than those shown above. Accordingly the loss for the year is the same as the total comprehensive loss for the year.

The accompanying notes on pages 11 to 17 form part of these financial statements.

Horizon Property Investments (South) Limited
Report and Financial Statements

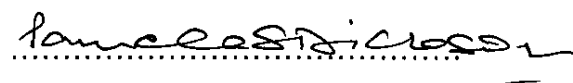
Statement of Financial Position

As at 31 December 2012

	Note	2012 £	2011 £
Current Assets			
Trade and other receivables	10	-	17,465
Income tax receivable	7	715	1,129
Cash and cash equivalents		16,800	-
Total assets		17,515	18,594
Equity and Liabilities			
Equity			
Issued capital	8	2	2
Retained earnings		16,013	17,092
Total equity		16,015	17,094
Current Liabilities			
Trade and other payables	9	1,500	1,500
Total liabilities		1,500	1,500
Total equity and liabilities		17,515	18,594

Company Number: SC155137

The financial statements on pages 7 to 17 were approved by the Board of Directors at a meeting on 23rd September 2013 and signed on its behalf by:



P S Dickson

Director
Horizon Property Investments (South) Limited

27 SEPTEMBER 2013

The accompanying notes on pages 11 to 17 form part of these financial statements.

Horizon Property Investments (South) Limited
Report and Financial Statements

Statement of Changes in Equity

For the year ended 31 December 2012

	Issued Capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2012	2	17,092	17,094
Loss after taxation	-	(1,079)	(1,079)
Balance at 31 December 2012	<u>2</u>	<u>16,013</u>	<u>16,015</u>

For the year ended 31 December 2011

	Issued Capital	Retained Earnings	Total
	£	£	£
Balance at 1 January 2011	2	18,103	18,105
Loss after taxation	-	(1,011)	(1,011)
Balance at 31 December 2011	<u>2</u>	<u>17,092</u>	<u>17,094</u>

The accompanying notes on pages 11 to 17 form part of these financial statements.

Horizon Property Investments (South) Limited
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Statement of Cash Flows

For the year ended 31 December 2012

	2012	2011
	£	£
Cash flows from operating activities		
Operating loss	(1,500)	(1,500)
Decrease in trade and other receivables	17,465	7,534
Decrease in trade and other payables	-	(6,159)
Cash generated from/(used in) operations	<u>15,965</u>	<u>(125)</u>
Income taxes received	<u>765</u>	-
Net cash from operating activities	<u>765</u>	<u>-</u>
Cash flows from investing activities		
Interest received	<u>70</u>	<u>125</u>
Net cash from investing activities	<u>70</u>	<u>125</u>
Net increase in cash and cash equivalents	16,800	-
Cash and cash equivalents at 1 January	<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December	<u>16,800</u>	<u>-</u>

The accompanying notes on pages 11 to 17 form part of these financial statements.

Horizon Property Investments (South) Limited
Report and Financial Statements

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with:

(1) the International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations ("IFRICs") issued by its International Financial Reporting Interpretations Committee, as endorsed by the European Union; and

(2) those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared under the break up basis of accounting as the directors do not believe the company will be a going concern for a period of 12 months from the date of signing of the Report and Financial Statements. Under the break up basis of accounting, assets are stated at their realisable value and liabilities are stated at their settlement value. No adjustments arose as a result of preparing the financial statements on a break up basis rather than a going concern basis.

Standards and amendments to existing standards effective 1 January 2012

The following standards, amendments to and interpretations of published standards have been issued and are relevant to the Company's operations:

- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)

Standards and interpretations in issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting period beginning on 1 January 2012 but the Company has not elected to adopt early:

- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 January 2013)
- Amendment to IAS 1, 'Presentation of financial statements' on OCI (effective 1 July 2012)
- Amendments to IFRS 7 on Financial instruments asset and liability offsetting (effective 1 January 2013)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1 January 2014)

Standards and interpretations in issue but not relevant

There are no other standards and amendments to published standards that are mandatory for the current accounting period beginning on 1 January 2012 that are relevant to the Company.

The Directors of the Company anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies

The Company has identified the accounting policies that are the most significant to its business operations and the understanding of its results. The principal accounting policies adopted in these financial statements were applied consistently throughout the years presented, unless otherwise stated.

The significant accounting policies adopted in the preparation of the financial statements are set out below:

a) Revenue and expenses

Revenue comprises income receivable from the sale of property. There have been no property transactions during the year. Revenue and expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

b) Financial assets and liabilities

Trade and other receivables and payables are recorded initially at fair value and subsequently at amortised cost, with the exception of accrued interest which is accounted for at fair value, reflecting amounts recoverable and payable at the year end.

c) Net Finance costs

Net finance costs relate to interest income and interest payable on borrowings and are recognised in the Statement of Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Interest income and interest payable presented in the Statement of Comprehensive Income include interest on financial assets or liabilities at amortised cost on an effective interest rate basis.

d) 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 Statement of Financial Position 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.

Horizon Property Investments (South) Limited
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Notes to the financial statements (continued)

3. 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 2012, 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.

Given that the Company no longer holds any investment property and all property related debtors and creditors have been settled post year end, the Directors intend to wind up the company within 12 months of the signing of the Financial Statements. The Directors have therefore prepared the financial statements on a break up basis.

4. Other expenses

	2012	2011
	£	£
Audit fees	1,500	1,500
	<u>1,500</u>	<u>1,500</u>

The auditors received no fees in respect of non-audit services to the Company (2011: £nil).

The Company had no employees during the year (2011: none)

5. Financial Income

	2012	2011
	£	£
Interest income	70	125
	<u>70</u>	<u>125</u>

6. Income tax credit

a) Recognised in the Income Statement

	2012	2011
	£	£
Current tax		
Current year credit	351	364
	<u>351</u>	<u>364</u>

b) Reconciliation of effective tax rate

	2012	2011
	£	£
Loss before tax	(1,430)	(1,375)
Loss multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	351	364
Total income tax credit in Statement of Comprehensive Income	<u>351</u>	<u>364</u>

Horizon Property Investments (South) Limited
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Notes to the financial statements (continued)

7. Current tax asset

The current tax asset of £715 (2011: £1,129) represents the amount of income taxes receivable in respect of current and prior periods. The Company is subject to the UK current rate of Corporation Tax.

On 21 March 2012, the Government announced that the main rate of corporation tax will be reduced from 26% to 24% with effect from 1 April 2012. The reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015.

8. Capital and reserves

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

Share capital

	Ordinary shares	
	2012	2011
	£	£
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Issued		
2 Ordinary Shares of £1 each	<u>2</u>	<u>2</u>

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

9. Trade and other payables

	2012	2011
	£	£
Non-trade payables and accrued expenses	<u>1,500</u>	<u>1,500</u>
	<u>1,500</u>	<u>1,500</u>

10. Trade and other receivables

	2012	2011
	£	£
Amounts due from fellow subsidiary undertaking	<u>-</u>	<u>17,465</u>
	<u>-</u>	<u>17,465</u>

Horizon Property Investments (South) Limited
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Notes to the financial statements (continued)

11. Financial instruments

The Company's financial instruments comprise receivable and payables that arise directly from its operations. There are no classes of business which require separate disclosure.

a) Governance framework

The Company's parent is Horizon Capital 2000 Limited whose parent is the Bank of Scotland ("BOS") with the ultimate parent being Lloyds Banking Group plc. BOS has established a financial risk management function with clear terms of reference and with the responsibility for implementing the Lloyds Banking Group framework and monitoring the policies on financial risks.

The risks related to the Company's activities are regularly evaluated.

The key financial risks relevant to the Company are credit risk, market risk, interest rate risk and liquidity risk.

b) Financial risks

i) Credit risk

Credit risk is the risk of financial loss from a counterparty's failure to settle financial obligations as they fall due. All amounts relate to entities which are subsidiaries of the same ultimate parent company and therefore credit risk is not deemed to be significant.

The table below sets out the maximum exposure to credit risk at the Statement of Financial Position date.

	2012	2011
	£	£
Amounts due by fellow subsidiary undertaking	-	17,465
	-	17,465

Amounts due from subsidiary undertaking are carried at amortised cost, whereby any indication of impairment would result in an immediate write-down of the carrying value. The instruments consist of intercompany lending to a fellow subsidiary undertaking. The intercompany loan has an internal credit rating of satisfactory risk. At the reporting date none of these balances were considered past due or impaired, neither were there any financial assets that would otherwise be past due or impaired had their terms not been renegotiated.

ii) Market risk

Market risk is defined as the potential loss in value or earnings of the Company arising from fair value changes in the values of assets and liabilities from fluctuations in market prices, interest rates or foreign exchange rates.

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

iii) 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 and inter company balances generate variable interest income and arise from the reinvestment of surplus liquid funds.

Horizon Property Investments (South) Limited
Report and Financial Statements

Notes to the financial statements (continued)

11. Financial instruments (continued)

b) Financial risks (continued)

iii) Interest rate risk (continued)

During the year the Company held £nil in bank accounts (2011: £nil) and therefore interest rate risk is not deemed to be significant.

iv) Liquidity risk

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

The Company's short term liquidity requirements are supported by a facility with another Group company subject to internal limits. Overall liquidity risk is managed in line with the Lloyds Banking Group High Level Group Liquidity and Funding Policy. Lloyds Banking Group plc manages its liquidity risk within the risk appetite as defined by its Board and to ensure that it can in all circumstances meet its obligations as they fall due.

All funding is provided by the Group and the table below sets out the cash flows payable by the Company in respect of financial liabilities, by remaining contractual undiscounted repayments of principal and interest at the Balance Sheet date.

As at 31 December 2012

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Trade and other payables	-	1,500	-	1,500
Total liabilities	-	1,500	-	1,500

As at 31 December 2011

Maturity of contractual liabilities	Up to 1 month	1-3 months	3-12 months	Total
	£	£	£	£
Trade and other payables	-	1,500	-	1,500
Total liabilities	-	1,500	-	1,500

12. Immediate and ultimate parent undertakings

The Company's immediate parent company is Horizon Capital 2000 Ltd.

The company regarded by the Directors as the ultimate parent undertaking and controlling party is Lloyds Banking Group plc which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated financial statements for the year ended 31 December 2012. Copies of the annual report and financial statements of Lloyds Banking Group plc for the year ended 31 December 2012 may be obtained from Lloyds Banking Group's office at The Mound, Edinburgh, EH1 1YZ.

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Notes to the financial statements (continued)

13. Related parties

The Company has a related party relationship with the 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 balance in the Company's current account as at the 31 December 2012 was £16,800 (2011: £nil) and no bank interest had been received during the year to 31 December 2012 (2011: £nil).

The Company also has a related party relationship with its fellow subsidiary undertaking Horizon Resources Limited. This relationship has arisen due to the provision of loan funding to the Company. For the year ended 31 December 2012, £70 (2011: £125) was receivable in respect of intercompany loan interest. As at the 31 December 2012 a total of £nil (2011: £17,465) was owed to the Company.

There were no other material transactions entered into by the Company with related parties for the year ended 31 December 2012 (2011: £nil).

The emoluments of the Directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company.

The Directors are also directors of a number of other subsidiaries of Lloyds Banking Group plc and are also substantially engaged in the managing of their respective business areas within the Commercial Division of Lloyds Banking Group plc. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of the 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 plc.