

# **Lloyds Commercial Property Investments Limited**

## **REPORT AND ACCOUNTS 2006**

Registered number

2045985

Registered office

25 Gresham Street  
London EC2V 7HN

Directors

A G Strang (Chairman)

H D C Stebbing (Managing Director)

Secretary

S J Hopkins



Member of Lloyds TSB Group

# **Lloyds Commercial Property Investments Limited**

## **Report of the directors**

### **Principal activities and results**

The principal activities of the company are property management and the provision of property-related services to subsidiary undertakings.

The profit for the year after taxation amounted to £97,834 (2005: £68,310) as set out in the income statement on page 6.

No dividend was paid or proposed during 2006 (2005 nil)

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Group and are not managed separately. Full disclosure of the company's financial risk management objectives and policies are given in note 3 to the financial statements.

### **Key performance indicators ('KPIs')**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Directors**

The names of the present directors of the company are shown on page 1

### **Responsibilities of directors**

The directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. 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

## **Lloyds Commercial Property Investments Limited**

### **Report of the directors (continued)**

#### **Policy and practice on payment of creditors**

The company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the DTI Publications Orderline 0845 015 0010 quoting ref URN 04/606

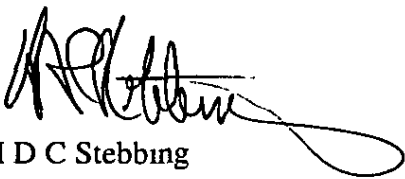
The company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier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

As the company owed no amounts to trade creditors at 31 December 2006, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2005 nil).

#### **Auditors and audit information**

Each director in office at the date of this report confirms that, so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



H D C Stebbing  
Director

10 July 2007

## **Lloyds Commercial Property Investments Limited**

### **Independent auditors' report to the members of Lloyds Commercial Property Investments Limited**

We have audited the financial statements of Lloyds Commercial Property Investments Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 if, in our opinion, the report of the directors is not consistent with the financial statements, if 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 report of the directors 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.

## **Lloyds Commercial Property Investments Limited**

### **Independent auditors' report to the members of Lloyds Commercial Property Investments Limited (continued)**

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit and cash flows for the year 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

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Bristol

*17 July* 2007

# Lloyds Commercial Property Investments Limited

## Income statement

for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	2, 5	4,789,218	4,693,762
Administrative expenses	6	<u>(4,674,875)</u>	<u>(4,620,413)</u>
<b>Operating profit</b>		114,343	73,349
Interest income	7	<u>25,420</u>	<u>24,237</u>
<b>Profit before tax</b>		139,763	97,586
Taxation	8	<u>(41,929)</u>	<u>(29,276)</u>
<b>Profit for the year</b>		<u>97,834</u>	<u>68,310</u>

The results for the year arise wholly from continuing operations and are attributable to the equity shareholder.

The accompanying notes are an integral part of the financial statements.

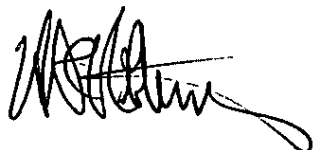
# Lloyds Commercial Property Investments Limited

## Balance sheet

at 31 December 2006

	Note	2006 £	2005 £
<b>Current assets</b>			
Cash and cash equivalents	10	2,606,777	2,443,354
Current receivables	11	1,042,949	1,107,861
<b>Total assets</b>		<u>3,649,726</u>	<u>3,551,215</u>
<b>Current liabilities</b>			
Amounts owed to other group companies	9	(3,500,000)	(3,800,000)
Deferred income		(1,470,373)	(1,179,231)
Current taxation		(41,929)	(29,276)
Other current payables	12	-	(3,118)
<b>Total liabilities</b>		<u>(5,012,302)</u>	<u>(5,011,625)</u>
<b>Net liabilities</b>		<u>(1,362,576)</u>	<u>(1,460,410)</u>
<b>Equity</b>			
Share capital	13	2	2
Retained earnings	14	(1,362,578)	(1,460,412)
<b>Total shareholder's equity</b>		<u>(1,362,576)</u>	<u>(1,460,410)</u>

The directors approved the accounts on 10 July 2007.



H D C Stebbing  
Director

The accompanying notes are an integral part of the financial statements.

# Lloyds Commercial Property Investments Limited

## Statement of changes in equity for the year ended 31 December 2006

	Share capital £	Retained earnings £	Total £
<b>Balance at 1 January 2005</b>	2	(1,528,722)	(1,528,720)
Profit for the year	-	68,310	68,310
<b>Balance at 31 December 2005 and 1 January 2006</b>	<u>2</u>	<u>(1,460,412)</u>	<u>(1,460,410)</u>
Profit for the year	-	97,834	97,834
<b>Balance at 31 December 2006</b>	<u>2</u>	<u>(1,362,578)</u>	<u>(1,362,576)</u>

The accompanying notes are an integral part of the financial statements



# Lloyds Commercial Property Investments Limited

## Cash flow statement

for the year ended 31 December 2006

	Note	2006 £	2005 £
<b>Cash flows from operating activities:</b>			
Cash generated from/(used in) operations	16	168,849	(1,166,757)
Income tax (paid)/repaid		(29,276)	582,365
<b>Net cash generated from/(used in) operating activities</b>		<u>139,573</u>	<u>(584,392)</u>
<b>Cash flows from investing activities:</b>			
Interest received		23,850	24,237
<b>Net cash generated from investing activities</b>		<u>23,850</u>	<u>24,237</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>163,423</u>	<u>(560,155)</u>
Cash and cash equivalents at beginning of year		2,443,354	3,003,509
<b>Cash and cash equivalents at end of year</b>		<u>2,606,777</u>	<u>2,443,354</u>

There were no cash flows arising from or used in financing activities

The accompanying notes are an integral part of the financial statements.

# **Lloyds Commercial Property Investments Limited**

## **Notes to the financial statements**

### **1. General information**

The company undertakes property leasing and the subsequent sub-letting and management of property to fellow group companies and third parties. The company is incorporated and domiciled in the UK

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, a limited liability company incorporated and domiciled in the UK, which is 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. Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both companies may be obtained from the company secretary's office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN

### **2. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below

These financial statements have been prepared using applicable International Financial Reporting Standards (IFRS) as adopted by the European Union

The financial information has been prepared under the historical cost convention

#### **(a) Revenue recognition**

Rental and other property-related income is recognised in the income statement on an accrual basis. Interest income is recognised in the income statement using the effective interest rate method.

#### **(b) Operating leases**

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

#### **(c) Income taxes, including deferred taxes**

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or announced by the balance sheet date that 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.

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

#### **(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

## Lloyds Commercial Property Investments Limited

### Notes to the financial statements (continued)

#### 3. Financial risk management

The directors are responsible for establishing a framework for evaluating, measuring, monitoring and controlling risk. They are responsible for ensuring that the risks within the business are identified, assessed, monitored and controlled. These controls and procedures where relevant comply with Lloyds TSB Group policies and standards.

The company has no interest-bearing assets from third-party counterparties. No deposits are placed outside of the Lloyds TSB Group. The company holds no foreign currency assets or liabilities. The company, therefore, has no significant exposure to credit, currency or interest rate risks.

The company operates exclusively in the UK and has no significant geographical or sector risk concentration.

The company maintains assets in the form of cash and cash equivalents which are sufficient to cover its obligations as they fall due.

#### 4. Segmental reporting

In the opinion of the directors, the company has one class of business, the provision of property management services. In addition, during the year it had no significant activities outside the United Kingdom. Accordingly, no analysis by business or geographical segment is provided.

#### 5. Turnover

	2006 £	2005 £
Rental and other property related income	<u>4,789,218</u>	<u>4,693,762</u>

#### 6. Administrative expenses

	2006 £	2005 £
Operating lease rentals	4,282,362	4,269,188
General insurance	57,845	59,653
Maintenance costs	302,995	251,536
Professional fees – auditors' remuneration	1,000	1,000
Other	30,673	39,036
	<u>4,674,875</u>	<u>4,620,413</u>

The company had no employees in the current or preceding year.

#### Directors' emoluments

No remuneration was paid or is payable by the company to the directors (2005 nil). The directors are employed by other companies in the Lloyds TSB Group and consider that their services to this company are incidental to their other activities within the group.

## Lloyds Commercial Property Investments Limited

### Notes to the financial statements (continued)

#### 7. Interest income

	2006 £	2005 £
Interest income	<u>25,420</u>	<u>24,237</u>

Interest income represents interest on cash deposits placed with Lloyds TSB Bank plc.

#### 8. Taxation

	2006 £	2005 £
<b>Analysis of charge for the year</b>		
UK corporation tax		
- current tax on profit for the year	<u>41,929</u>	<u>29,276</u>

There is no difference between the tax charge for the year and the tax charge that arises from applying the standard UK corporation tax rate of 30 per cent (2005 30 per cent) to profit before tax

#### 9. Related party transactions

The company's immediate parent company is Lloyds Commercial Properties Limited. The company's ultimate parent company is Lloyds TSB Group plc. The company's related parties include the ultimate and immediate parent companies, other companies in the Lloyds TSB Group, pension schemes of the company's ultimate parent company and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors.

Turnover arising from property rentals to Lloyds TSB Bank plc is £3,629,694 (2005: £3,629,694). Interest income from cash deposits placed with Lloyds TSB Bank plc is disclosed in note 7.

##### Transactions with key management personnel

There were no transactions between the company and key management personnel during the current or preceding year.

Key management personnel are employed by other companies in the Lloyds TSB Group and consider that their services to the company are incidental to their other activities within the group.

# Lloyds Commercial Property Investments Limited

## Notes to the financial statements (continued)

### 9. Related party transactions (continued)

#### Amounts owed to other group companies

	Parent companies £
At 1 January 2006	3,800,000
Repayments during the year	<u>(300,000)</u>
At 31 December 2006	<u>3,500,000</u>
Representing: Lloyds TSB Bank plc	<u>3,500,000</u>
	Parent companies £
At 1 January and 31 December 2005	<u>3,800,000</u>
Representing: Lloyds TSB Bank plc	3,500,000
Lloyds Commercial Properties Limited	<u>300,000</u>
	<u>3,800,000</u>

Amounts owed to other group companies are repayable on demand and are non-interest bearing. The fair values of amounts owed to other group companies are equal to their carrying amounts.

### 10. Cash and cash equivalents

Cash and cash equivalents represents £880,352 (2005: £856,501) of deposits at commercial interest rates and £1,726,425 (2005: £1,586,853) non-interest earning deposits placed with the company's immediate parent company and fellow subsidiaries. The fair values of cash and cash equivalents are equal to the carrying amounts.

### 11. Current receivables

	2006 £	2005 £
Prepayments	967,304	1,087,706
Accrued interest receivable	1,570	-
Other debtors	<u>74,075</u>	<u>20,155</u>
	<u>1,042,949</u>	<u>1,107,861</u>

Other debtors are non-interest bearing. The fair values of other debtors are equal to their carrying amounts.

# Lloyds Commercial Property Investments Limited

## Notes to the financial statements (continued)

### 12. Other current payables

	2006 £	2005 £
Other current payables	-	3,118
	<u>-</u>	<u>3,118</u>

Other current payables are non-interest bearing. The fair values of other current payables are equal to their carrying amounts

### 13. Share capital

	2006 £	2005 £
Authorised:		
100 (2005: 100) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and fully paid		
2 (2005: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

### 14. Retained earnings

	2006 £	2005 £
At 1 January	(1,460,412)	(1,528,722)
Profit for the year	97,834	68,310
At 31 December	<u>(1,362,578)</u>	<u>(1,460,412)</u>

### 15. Operating lease commitments

Where the company is the lessee the future minimum lease payments under non- cancellable building operating leases are as follows:

	2006 £	2005 £
Due within one year	4,217,680	4,198,036
Due between one and five years	16,870,720	16,792,144
Due after five years	59,047,519	62,970,540
	<u>80,135,919</u>	<u>83,960,720</u>

Where the company is the lessor the future minimum lease payments receivable under non- cancellable building operating leases are as follows.

	2006 £	2005 £
Due within one year	1,203,054	773,700
Due between one and five years	4,812,214	3,094,800
Due after five years	4,812,214	3,868,500
	<u>10,827,482</u>	<u>7,737,000</u>

# Lloyds Commercial Property Investments Limited

## Notes to the financial statements (continued)

### 16. Reconciliation of operating profit to cash flow from operating activities

	2006 £	2005 £
Profit before tax	139,763	97,586
Adjustments for:		
Interest income	(25,420)	(24,237)
Decrease in amounts owed to group companies	(300,000)	-
Decrease/(increase) in prepayments and other debtors	66,482	(1,018,388)
Decrease in current payables	(3,118)	(36,219)
Increase/(decrease) in deferred income	291,142	(185,499)
Total adjustments	29,086	(1,264,343)
Cash generated from/(used in) operations	168,849	(1,166,757)

### 17. Future developments

The following pronouncements will be relevant to the company but were not effective at 31 December 2006 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 7 Financial Instruments Disclosures <sup>1</sup>	Consolidates the current financial instruments disclosures into a single standard and requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments.	Annual periods beginning on or after 1 January 2007
Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures	Introduces additional disclosures of the objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and compliance with capital requirements.	Annual periods beginning on or after 1 January 2007

<sup>1</sup> Includes consequential changes to other pronouncements

The full impact of these pronouncements is being assessed by the company, none of these pronouncements are expected to cause any material adjustments to the financial statements