LLOYDS COMMERCIAL PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2007

Registered number

2045985

Registered office

25 Gresham Street
London EC2V 7HN

Directors

H D C Stebbıng

N Warıng

Company secretary

S J Hopkıns

Member of Lloyds TSB Group

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 £845,916 (2006 £97,834) as set out in the income statement on page 5

No dividend was paid or proposed during 2007 (2006 nil)

No changes in the nature or scale of activity are expected in the foreseeable future

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 4 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

The following changes in directors have taken place since the year end

	Appointed	Resigned
A G Strang		4 February 2008
N Waring	17 April 2008	

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

REPORT OF THE DIRECTORS (continued)

Policy and practice on payment of creditors

The company follows "The Better Payment Practice Code" published by the Department for Business, Enterprise and Regulatory Reform (BERR), regarding the making of payments to suppliers A copy of the code and information about it may be obtained from the BERR Publications Orderline 0845 0150 010 quoting ref URN 04/606

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

As the company owed no amounts to trade creditors at 31 December 2007, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2006 nil)

Auditors and audit information

Each person who was a director at the date of approval 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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information This confirmation is given, and should be interpreted, in accordance with section 234ZA of the Companies Act 1985

On behalf of the board

H D C Stebbing
Director
20th June 2008

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 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 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 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 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 European Union, of the state of the company's affairs as at 31 December 2007 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

24 June *2008*

Income statement
for the year ended 31 December 2007

	Note	2007 £	2006 £
Property income	5	6,064,938	4,789,218
Administrative expenses	6	(4,885,915)	(4,674,875)
Operating profit		1,179,023	114,343
Interest income	7	29,429	25,420
Profit before tax		1,208,452	139,763
Taxation	8	(362,536)	(41,929)
Profit for the year		845,916	97,834

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

Balance sheet
at 31 December 2007

	Note	2007 £	2006 £
Current assets			
Cash and cash equivalents	10	3,840,390	2,606,777
Current receivables	11	1,082,816	1,042,949
Total assets		4,923,206	3,649,726
Current liabilities			
Amounts owed to group companies	9	(3,500,000)	(3,500,000)
Deferred income		(1,511,311)	(1,470,373)
Other current payables	12	(24,090)	-
Current taxation		(404,465)	(41,929)
Total liabilities		(5,439,866)	(5,012,302)
Net liabilities		(516,660)	(1,362,576)
Equity			
Share capital	13	2	2
Retained earnings		(516,662)	(1,362,578)
Total shareholder's equity		(516,660)	(1,362,576)

The financial statements on pages 5 to 15 were approved by the board on 20th June 2008 and signed on its behalf by

H D C Stebbing
Director

The accompanying notes are an integral part of the financial statements

Statement of changes in equity

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2006	2	(1,460,412)	(1,460,410)
Profit for the year	-	97,834	97,834
Balance at 31 December 2006 and 1 January 2007	2	(1,362,578)	(1,362,576)
Profit for the year	-	845,916	845,916
Balance at 31 December 2007	2	(516,662)	(516,660)

The accompanying notes are an integral part of the financial statements

Cash flow statement
for the year ended 31 December 2007

	Note	2007 £	2006 £
Cash flows from operating activities:			
Cash generated from operations	15	1,202,614	168,849
Taxation paid		-	(29,276)
Net cash generated from operating activities		1,202,614	139,573
Cash flows from investing activities:			
Interest received		30,999	23,850
Net cash generated from investing activities		30,999	23,850
Net increase in cash and cash equivalents		1,233,613	163,423
Cash and cash equivalents at beginning of year		2,606,777	2,443,354
Cash and cash equivalents at end of year		3,840,390	2,606,777

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

The accompanying notes are an integral part of the financial statements

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 resident in England and Wales

The company's ultimate parent company is Lloyds TSB Group plc, which is a limited liability company and is incorporated and resident in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Bank 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, 25 Gresham Street, London, EC2V 7HN

2. Accounting policies

These financial statements have been prepared using applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and in compliance with the requirements of the Companies Act 1985

The financial information has been prepared under the historical cost convention

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

i IFRS 7 'Financial Instruments Disclosures' This standard, which was effective from 1 January 2007, requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments As a disclosure standard, the application of this new standard has not had any impact on amounts recognised in the financial statements The IFRS 7 disclosures are set out in note 4 IFRS 7 supersedes IAS 30 'Disclosures in the Financial Statements of Banks and Similar Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments Presentation'

ii Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' This standard, which was effective from 1 January 2007, requires additional disclosures of the objectives, policies and processes for managing capital, and quantitative data about what the company regards as capital These new capital disclosures are set out in note 3

Details of those IFRS pronouncements which will be relevant to the company but which were not effective at 31 December 2007 and which have not been applied in preparing these financial statements are given in note 16

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

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

b) Operating leases

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

Notes to the financial statements (continued)

2. Accounting policies (continued)

c) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise

Current tax assets and liabilities are offset 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

d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months

3. Capital management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk, and, indirectly, to support the Lloyds TSB Group's regulatory capital requirements

The company's parent company manages the company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes to economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the board may adjust the amount of dividends to be paid to its shareholder, return capital to its shareholder, issue new shares, or sell assets

The company's capital comprises all components of equity, movements in which appear in the statement of changes of equity on page 7 The company received most of its funding requirements from its parent and does not raise funding externally

4. 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

a) Measurement basis of financial assets and liabilities

All assets and liabilities are held at amortised cost

b) Credit risk

The maximum credit risk exposure of the company in the event of other parties failing to fulfil their obligations is considered to be the carrying amount of cash at bank and current receivables, totalling £4,923,206 (2006 £3,649,726) The company's financial assets have no amounts past due or impaired (2006 nil), and are considered to be of high credit quality

c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due The table below analyses the liabilities of the company on an undiscounted future cash flows basis according to contractual maturity, into relevant maturity groupings based upon the remaining period at the balance sheet date, balances with no fixed maturity are included in the "over 5 years" category

Notes to the financial statements (continued)

4. Financial risk management (continued)

c) Liquidity risk (continued)

At 31 December 2007	Repayable on demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts owed to other Group companies	3,500,000	-	-	-	-	3,500,000
Other current payables	-	24,090				24,090
Deferred income	-	1,511,311	-	-	-	1,511,311
Operating leases	-	1,054,420	3,163,260	16,870,720	54,829,839	75,918,239
Total financial liabilities	3,500,000	2,589,821	3,163,260	16,870,720	54,829,839	80,953,640

At 31 December 2006	Repayable on demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts owed to other Group companies	3,500,000	-	-	-	-	3,500,000
Deferred income	-	1,470,373	-	-	-	1,470,373
Operating leases	-	1,054,420	3,163,260	16,870,720	59,047,519	80,135,919
Total financial liabilities	3,500,000	2,524,793	3,163,260	16,870,720	59,047,519	85,106,292

d) Market risk

The company has transferred its exposure to changes in interest rates to Lloyds TSB Bank plc, the intermediate parent company, and does not retain any significant exposure in relation to those market risks transferred Accordingly, no quantitative analysis of the risk is presented The company has no material exposure to any other market risks

e) Geographical and sector concentrations of risk

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

5. Property income

	2007 £	2006 £
Rental and other property related income	6,064,938	4,789,218

6. Administrative expenses

	2007 £	2006 £
Operating lease rentals	4,164,702	4,282,362
General insurance	58,018	57,845
Maintenance costs	541,531	302,995
Professional fees – auditors' remuneration	1,000	1,000
Other	120,664	30,673
	4,885,915	4,674,875

Notes to the financial statements (continued)

6. Administrative expenses (continued)

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 (2006 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

7. Interest income

	2007 £	2006 £
Interest income	29,429	25,420

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

8. Taxation

	2007 £	2006 £
UK corporation tax		
- current tax on profit for the year	362,536	41,929

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 (2006 30 per cent) to profit before tax The standard rate of UK Corporation Tax has reduced from 30% to 28% with effect from 1 April 2008

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 (2006 £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

Amounts owed to group companies

	Parent companies £
At 1 January 2007 and at 31 December 2007	3,500,000
Representing	
Lloyds TSB Bank plc	3,500,000

Notes to the financial statements (continued)

9. Related party transactions (continued)

Amounts owed to group companies (continued)

	Parent companies £
At 1 January 2006	3,800,000
Repayments during the year	(300,000)
At 31 December 2006	3,500,000
Representing	
Lloyds TSB Bank plc	3,500,000

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

10. Cash and cash equivalents

Cash and cash equivalents represents £nil (2006 £880,352) of deposits at commercial interest rates and £3,840,390 (2006 £1,726,425) 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

	2007 **£**	2006 £
Prepayments	1,076,406	967,304
Accrued interest receivable	-	1,570
Other debtors	6,410	74,075
	1,082,816	1,042,949

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

12. Current payables

	2007 **£**	2006 £
Other payables	24,090	-
	24,090	-

13. Share capital

	2007 **£**	2006 £
Authorised		
100 (2006 100) ordinary shares of £1 each	100	100
Issued and fully paid		
2 (2006 2) ordinary shares of £1 each	2	2

Notes to the financial statements (continued)

14. Operating lease commitments

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

	2007 £	2006 £
Due within one year	4,217,680	4,217,680
Due between one and five years	16,870,720	16,870,720
Due after five years	54,829,839	59,047,519
	75,918,239	80,135,919

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

	2007 £	2006 £
Due within one year	1,785,054	1,203,054
Due between one and five years	7,140,214	4,812,214
Due after five years	5,355,161	4,812,214
	14,280,429	10,827,482

15. Reconciliation of profit before tax to net cash flow from operations

	2007 £	2006 £
Profit before tax	1,208,452	139,763
Adjustments for		
Interest income	(29,429)	(25,420)
Decrease in amounts owed to group companies	-	(300,000)
(increase)/decrease in prepayments and other debtors	(41,437)	66,482
Increase/(decrease) in current payables	24,090	(3,118)
Increase in deferred income	40,938	291,142
	(5,838)	29,086
Cash generated from operations	1,202,614	168,849

16. Future developments

The following pronouncements will be relevant to the company but were not effective at 31 December 2007 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IAS 1 Presentation of Financial Statements[1 2]	Revises the overall requirements for the presentation of financial statements, guidance for their structure and minimum content requirements The revised standard requires the presentation of all non-owner changes in equity within a statement of comprehensive income	Annual periods beginning on or after 1 January 2009

Notes to the financial statements (continued)

16. Future developments (continued)

Pronouncement	Nature of change	Effective date
Amendment to IAS 23 Borrowing Costs [1 2]	Requires interest and other costs incurred in connection with the borrowing of funds to be recognised as an expense, except that those which are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale must be capitalised as part of the cost of those assets	Annual periods beginning on or after 1 January 2009
IFRS 3 Business Combinations[1 2]	The revised standard continues to apply the acquisition method to business combinations However, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently re-measured at fair value through income, goodwill may be calculated based upon the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed	Annual periods beginning on or after 1 January 2009
IAS 27 Consolidated and Separate Financial Statements[1 2]	Requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control, any remaining interest in an investee is re-measured to fair value in determining the gain or loss recognised in profit or loss where control over the investee is lost	Annual periods beginning on or after 1 July 2009

[1] At the date of this report, these pronouncements are awaiting EU endorsement
[2] Subject to any EU endorsement, the company has not yet made a final decision as to whether it will apply these pronouncements in the 2008 financial statements

The full impact of these pronouncements is being assessed by the company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements