LLOYDS COMMERCIAL PROPERTY INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Registered number

2045985

Registered office

25 Gresham Street
London
EC2V 7HN

Directors

P W Baker
N P Warmg

Member of Lloyds Banking Group

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

Business review and principal activities

The principal activities of Lloyds Commercial Property Limited ("the Company") are property management and the provision of property-related services to subsidiary undertakings and external parties The Company is incorporated and resident in England and Wales (registered number 2045985)

The profit for the year after taxation amounted to £953,107 (2008 £963,829) as set out in the statement of comprehensive income on page 5

No dividend was paid or proposed during 2009 (2008 nil)

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

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds Banking 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

Directors

The names of the current directors of the Company are shown on page 1

The following changes in directors have taken place during the year

	Appointed	Resigned
H D C Stebbing		30 January 2009
J Pike	16 February 2009	23 April 2009
P W Baker	29 April 2009	

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards 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 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

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as 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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006

Policy and practice on payment of suppliers

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

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

As the Company owed no amounts to trade creditors as at 31 December 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2008 nil)

By order of the board

P W Baker
Director

21 June. 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS COMMERCIAL PROPERTY INVESTMENTS LIMITED

We have audited the financial statements of Lloyds Commercial Property Investments Limited for the year ended 31 December 2009 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

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

Opinion on financial statements
In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Craig Gentle (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol
BS1 5QD

21 June 2010

Statement of comprehensive income
for the year ended 31 December 2009

	Note	**2009** £	2008 £
Property income	4	6,026,172	6,123,649
Administrative expenses	5	(4,703,256)	(4,804,728)
Operating profit		1,322,916	1,318,921
Interest income	6	844	29,090
Profit before tax		1,323,760	1,348,011
Taxation	7	(370,653)	(384,182)
Profit for the year, being total comprehensive income		953,107	963,829

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

The accompanying notes 1 to 15 are an integral part of these financial statements

Balance sheet
as at 31 December 2009

	Note	**2009** £	2008 £
Current assets			
Cash and cash equivalents	9	5,539,503	4,770,662
Current receivables	10	1,069,397	1,520,177
Total assets		6,608,900	6,290,839
Current liabilities			
Amounts due to group undertakings	8	(3,500,000)	(3,904,465)
Accruals and deferred income		(1,283,387)	(1,522,544)
Other current payables	11	(25,400)	(32,478)
Current taxation		(399,837)	(384,183)
Total liabilities		(5,208,624)	(5,843,670)
Net assets		1,400,276	447,169
Equity			
Share capital	12	2	2
Retained earnings		1,400,274	447,167
Total shareholder's equity		1,400,276	447,169

The financial statements were approved by the board of directors on 21 June 2010 and signed on its behalf by

PWBaker

P W Baker
Director

The accompanying notes 1 to 15 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2009

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2008	2	(516,662)	(516,660)
Total comprehensive income for the year	-	963,829	963,829
Balance at 31 December 2008 and 1 January 2009	2	447,167	447,169
Total comprehensive income for the year	-	953,107	953,107
Balance at 31 December 2009	2	1,400,274	1,400,276

The accompanying notes 1 to 15 are an integral part of these financial statements

Cash flow statement
for the year ended 31 December 2009

	Note	2009 £	2008 £
Cash flows from operating activities:			
Cash generated from operations	14	1,122,996	1,305,647
Tax paid		(354,999)	(404,465)
Net cash generated from operating activities		767,997	901,182
Cash flows from investing activities:			
Interest received		844	29,090
Net cash generated from investing activities		844	29,090
Net increase in cash and cash equivalents		768,841	930,272
Cash and cash equivalents at beginning of year		4,770,662	3,840,390
Cash and cash equivalents at end of year		5,539,503	4,770,662

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

The accompanying notes 1 to 15 are an integral part of these financial statements

Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies

Basis of preparation

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

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

IAS 1 (revised) Presentation of financial statements The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity All non-owner changes in equity are required to be shown in a performance statement Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income) The Company has elected to present one statement, a statement of comprehensive income The financial statements have been prepared under the revised disclosure requirements, the application of this revised standard, which affects presentation only, has not had any impact for amounts recognised in these financial statements

Details of those IFRS pronouncements which will be relevant to the Company but which were not effective at 31 December 2009 and which have not been applied in preparing these financial statements are given in note 15

The company is reliant on funding provided by Lloyds TSB Bank plc Notwithstanding the improvement in market liquidity during 2009, the company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position The 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 and, accordingly, the financial statements have been prepared on a going concern basis

These financial statements have been prepared under the historical cost convention

Accounting policies

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 statement of comprehensive income on an accruals basis

Interest income is recognised in the statement of comprehensive income using the effective interest rate The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability

b) Operating leases

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

c) Taxation

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

Notes to the financial statements for the year ended 31 December 2009 (continued)

1. Accounting policies (continued)

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

e) Measurement basis of financial assets and liabilities

All assets and liabilities are held at amortised cost

2. 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 Banking 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 in equity on page 7 The Company received most of its funding requirements from its parent and does not raise funding externally

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 Banking Group policies and standards

(a) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due The Company is committed to a strong credit culture that recognises that need to ensure that risk assets are of high quality

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 £6,608,900 (2008 £6,290,839) The Company's financial assets have no amounts past due or impaired (2008 nil), and are considered to be of high credit quality

(b) 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 for the year ended 31 December 2009 (continued)

3. Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2009	Repayable on demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts due to group undertakings	3,500,000					3,500,000
Other current payables	-	25,400	-	-	-	25,400
Accruals and deferred income	-	1,283,387	-	-	-	1,283,387
Operating leases	-	1,054,420	3,163,260	16,870,720	46,394,479	67,482,879
Total financial liabilities	3,500,000	2,363,207	3,163,260	16,870,720	46,394,479	72,291,666

At 31 December 2008	Repayable on demand £	Up to 3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts due to group undertakings	3,904,465	-	-	-	-	3,904,465
Other current payables	-	32,478	-	-	-	32,478
Accruals and deferred income	-	1,522,544	-	-	-	1,522,544
Operating leases	-	1,054,420	3,163,260	16,870,720	50,612,159	71,700,559
Total financial liabilities	3,904,465	2,609,442	3,163,260	16,870,720	50,612,159	77,160,046

The Company is funded on an ongoing basis entirely by companies within the Lloyds Banking Group Such funding is technically repayable on demand, but there is no expectation that such a demand would be made

(c) Market risk

Market risk is the risk of financial loss due to changes in market prices Market risk reflects interest rate risk, currency risk, and other price risks

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

(d) 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

4. Property income

	2009 £	2008 £
Rental and other property related income	6,026,172	6,123,649

Notes to the financial statements for the year ended 31 December 2009 (continued)

5. Administrative expenses

	2009 £	2008 £
Operating lease rentals	4,079,790	4,193,506
General insurance	80,442	43,422
Maintenance costs	489,159	513,482
Fees payable to the Company's auditors for the audit of the financial statements	1,050	1,000
Other	52,815	53,318
	4,703,256	4,804,728

The Company has no employees

Directors' emoluments

No remuneration was paid or is payable by the Company to the directors (2008 £nil) The directors are employed by other companies in the Lloyds Banking Group and consider that their services to this Company are incidental to their other activities within the group

6. Interest income

	2009 £	2008 £
Interest income	844	29,090

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

7. Taxation

	2009 £	2008 £
UK corporation tax		
- current tax on profit for the year	370,653	384,182

The taxation charge for the year is based on an effective United Kingdom taxation rate of 28% (2008 28 5% as the standard corporation tax rate changed from 30% to 28% on 1 April 2008) There is no difference between the charge for the year and the charge that would arise from applying the standard rate of corporation tax to profit before tax

8. Related party transactions

The Company's immediate parent company is Lloyds Commercial Properties Limited The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company 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 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 Group Secretariat, Lloyds Banking Group, 25 Gresham Street, London, EC2V 7HN

The Company's related parties include the ultimate and immediate parent companies, other companies in the Lloyds Banking 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 and members of the Lloyds Banking Group plc board

Notes to the financial statements for the year ended 31 December 2009 (continued)

8. Related party transactions (continued)

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 Banking Group and consider that their services to the Company are incidental to their other activities within the Group

Income from group undertakings

Turnover arising from property rentals to Lloyds TSB Bank plc is £3,629,694 (2008 £3,629,694) Interest income from cash deposits placed with Lloyds TSB Bank plc is disclosed in note 6

Amounts due to group undertakings

	2009	2008
	£	£
At 1 January	3,904,465	3,500,000
Tax paid	(404,465)	404,465
At 31 December	3,500,000	3,904,465
Representing		
Lloyds TSB Bank plc	3,500,000	3,500,000
Target Corporate Services Limited	-	404,465

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

9. Cash and cash equivalents

Cash and cash equivalents represents £5,539,503 (2008 £4,770,662) of interest earning deposits placed with Lloyds TSB Bank plc The fair values of cash and cash equivalents are equal to the carrying amounts

10. Current receivables

	2009	2008
	£	£
Prepayments	1,037,271	1,034,231
Other debtors	32,126	485,946
	1,069,397	1,520,177

Current receivables are non-interest bearing The fair values of current receivables are equal to their carrying amounts

11. Other current payables

	2009	2008
	£	£
Other payables	25,400	32,478
	25,400	32,478

Notes to the financial statements for the year ended 31 December 2009 (continued)

12. Share capital

	2009 £	2008 £
Authorised		
100 ordinary shares of £1 each	100	100
Issued and fully paid		
2 ordinary shares of £1 each	2	2

13. Operating lease commitments

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

	2009 £	2008 £
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	46,394,479	50,612,159
	67,482,879	71,700,559

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

	2009 £	2008 £
Due within one year	1,828,750	1,828,750
Due between one and five years	7,314,998	7,314,998
Due after five years	1,828,749	3,657,499
	10,972,497	12,801,247

14. Reconciliation of profit before tax to cash generated from operations

	2009 £	2008 £
Profit before tax	1,323,760	1,348,011
Adjustments for		
Interest income	(844)	(29,090)
Decrease / (increase) in current receivables	450,780	(437,360)
(Decrease) / increase in current payables	(7,078)	8,388
(Decrease) / increase in accruals and deferred income	(239,157)	11,233
(Decrease) / increase in amounts due to group undertakings	(404,465)	404,465
	(200,764)	(42,364)
Cash generated from operations	1,122,996	1,305,647

Notes to the financial statements for the year ended 31 December 2009 (continued)

15. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2009 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010
IAS24 *Related Party Disclosures*	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011

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