Lloyds Premises Investments Limited

Annual report and accounts
for the year ended 31 December 2014

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

2521270

Directors

M B Andrews
P M Pritchard

Company Secretary

Lloyds Secretaries Limited

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2014

The directors present their report and the audited financial statements of Lloyds Premises Investments Limited ("the Company") for the year ended 31 December 2014.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 2521270).

The principal activity of the Company is the holding and management of land and property acquired through the realisation of land security held by other companies in the Lloyds Banking Group. The Company does not earn any rental income through its activities.

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 2 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.

Future outlook

No change in the principal activities of the Company is expected in the foreseeable future.

Dividends

No dividends were paid or proposed during the year ended 31 December 2014 (2013: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on the cover.

The following changes have taken place during the year or since the year end:

R D C Dakin	(resigned 25 June 2014)
P M Pritchard	(appointed 25 June 2014)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, including former directors who retired during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report

For the year ended 31 December 2014

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. 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 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 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 they ought to have taken as a director in order to make themselves 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.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Approved by the board of directors and signed by its order by:

M B Andrews
Director

23 September 2015

Independent auditors' report to the member of Lloyds Premises Investments Limited

Report on the financial statements

Our opinion

In our opinion, Lloyds Premises Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Lloyds Premises Investments Limited's financial statements comprise:

- the Statement of comprehensive income for the year ended 31 December 2014;
- the Balance Sheet as at 31 December 2014;
- the Statement of changes in equity for the year then ended;
- the Cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the member of Lloyds Premises Investments Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of directors' responsibilities 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (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 member 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Emma Aiken-Jones (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

23 September 2015

Statement of comprehensive income

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Other operating expenses	4	**(2)**	(3)
Loss before tax		**(2)**	(3)
Taxation	5	**-**	-
Loss for the year attributable to owners of the parent, being total comprehensive expense		**(2)**	(3)

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

Balance sheet

As at 31 December 2014

	Note	2014 £'000	2013 £'000
ASSETS			
Other current assets	6	**6**	6
Investment property	7	**35**	-
Property, plant and equipment	8	**5**	5
Total assets		**46**	11
LIABILITIES			
Borrowed funds	9	**45**	8
Total liabilities		**45**	8
EQUITY			
Share capital	10	**-**	-
Retained earnings		**1**	3
Total equity		**1**	3
Total equity and liabilities		**46**	11

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

The financial statements were approved by the board of directors and were signed on its behalf by:

M B Andrews
Director

23 September 2015

Statement of changes in equity
For the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2013	-	6	6
Loss for the year being total comprehensive expense	-	(3)	(3)
At 31 December 2013	**-**	**3**	**3**
Loss for the year being total comprehensive expense	-	(2)	(2)
At 31 December 2014	**-**	**1**	**1**

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

Cash flow statement

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flows used in operating activities		
Loss before tax	**(2)**	(3)
Net cash used in operating activities	**(2)**	(3)
Cash flows used in investing activities		
Cost of acquiring Investment property	**(35)**	-
Net cash used in investing activities	**(35)**	-
Cash flows from financing activities		
Proceeds from borrowings with group undertakings	**37**	3
Net cash from financing activities	**37**	3
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

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

Notes to the financial statements

For the year ended 31 December 2014

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

There are no new IFRS pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2014 and which have not been applied in preparing these financial statements are given in note 16. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention, as modified for the fair value of Investment property.

1.2 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Amounts due to group undertakings.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

1.3 Property, plant and equipment

Property, plant and equipment is included at historical purchase cost less depreciation and any impairment allowance. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The value of land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate the difference between the cost and expected residual value over the period of the lease.

1.4 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.5 Taxation

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

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.

1.6 Investment property

The Company's Investment property relates to land held for capital appreciation. It is initially recognised at cost and has an annual valuation to establish the fair value. Any gains or losses arising from a change in the fair value are recognised in the Statement of comprehensive income in the period that they occur.

1. Accounting policies (continued)

1.6 Investment property (continued)

Fair value of Investment property

Investment property is carried in the Balance sheet at fair value, based on the current prices in an active market for similar lease and other contracts. In the absence of such information, the Company uses alternative valuation methods such as:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those;

- Recent prices of similar properties in less active markets, with adjustments, to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

These valuations are reviewed at least annually by an independent valuation expert.

2. Risk management policy

The Company's operations expose it to liquidity risk and market risk; it is not exposed to any significant foreign exchange risk, credit risk, business risk or interest rate risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the ultimate parent, Lloyds Banking Group plc. Liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company. Market risk is managed by the Company by closely monitoring the property market.

2.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

2.2 Market risk

Market risk is the risk of financial loss due to changes taking place in financial markets. The Company has no interest bearing assets from third party counterparties or from other members of the Group. No deposits are placed outside of the Group. The Company holds no foreign currency assets or liabilities. The value of the Company's Investment property is subject to fluctuations in the property market, which could result in financial loss. The property market is closely monitored by the Company in order to mitigate this risk.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Determination of fair value - Investment property

The fair value of Investment property is disclosed in note 7. Fair value of Investment property is estimated using recent valuations. Where these are not available the sales value of similar properties or recent offers tendered are taken into account.

Notes to the financial statements (continued)

For the year ended 31 December 2014

4. Other operating expenses

	2014 £'000	2013 £'000
Other operating expenses	**2**	3

Fees payable to the Company's auditors for the audit of the financial statements of £3,000 (2013: £2,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

The Company did not have any employees during the year (2013: none).

No director received any fees or emoluments from the Company during the year (2013: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 11).

5. Taxation

	2014 £'000	2013 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	**-**	-

Corporation tax is calculated at a rate of 21.50% (2013: 23.25%) of the taxable loss for the year.

b) Factors affecting the tax charge for the year

Where taxation on the Company's loss for the year differs from the taxation credit that would arise using the standard rate of corporation tax of 21.50% (2013: 23.25%), the differences are explained below:

	2014 £'000	2013 £'000
Loss before tax	**(2)**	(3)
Tax credit thereon at UK corporation tax rate of 21.50% (2013: 23.25%)	**-**	(1)
Factors affecting credit:		
- Non-allowable and non-taxable items	**-**	1
Tax on loss on ordinary activities	**-**	-
Effective rate	**0.0%**	0.0%

The Finance Act 2013 ("the Act"), was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

On 8 July 2015, the Government announced that the corporation tax rate applicable from 1 April 2017 would be 19 percent and from 1 April 2020 would be 18 percent. The proposed reductions in the rate of corporation tax are expected to be enacted during 2015.

6. Other current assets

	2014 £'000	2013 £'000
Amounts due from group undertakings (see note 11)	**6**	6

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements (continued)
For the year ended 31 December 2014

7. Investment property

	2014 £'000	2013 £'000
Purchase of property	**35**	-
Balance at 31 December	**35**	-

The Investment property is a large narrow strip of scrub land. It was transferred in from Hill Samuel Finance (No. 22) Limited on 9 December 2014.

The directors' valuation of the land was supported by a valuation carried out by a qualified surveyor, Savills, in March 2015 and was supported by formal market information and land sales that were comparable in their physical nature and development potential.

The land is jointly held with Linden Homes who are entitled to 50% of the market value. As such, only 50% of the total market value of the land has been recognised in the financial statements.

No rent was received during the year (2013: £nil).

8. Property, plant and equipment

	Land £'000
Cost	
At 31 December 2013 and 31 December 2014	5

9. Borrowed funds

	2014 £'000	2013 £'000
Amounts due to group undertakings (see note 11)	**45**	8

Amounts due to group undertakings are unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made.

10. Share capital

	2014 £'000	2013 £'000
Allotted, issued and fully paid		
2 ordinary shares of £1 each	-	-

11. Related party transactions

The Company is controlled by Lloyds Bank plc. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end are set out below.

	2014 £'000	2013 £'000
Amounts due from group undertakings		
Lloyds Bank plc (see note 6)	**6**	6
Amounts due to group undertakings		
Lloyds Bank plc (see note 9)	**45**	8

Transfer of investment property

The Company acquired on 9 December 2014, by transfer at net book value, some land from a fellow Group subsidiary company, Hill Samuel Finance (No.22) Limited.

11. Related party transactions (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and the members of the Lloyds Banking Group plc board. 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 within the Group and consider that their services to the Company are incidental to their other activities within the Group.

UK Government

In January 2009, the UK Government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. As at 31 December 2014, HM Treasury retained a significant interest in Lloyds Banking Group plc's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended 31 December 2014.

12. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2. A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

12.1 Liquidity risk

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made.

12.2 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

12.3 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

13. Capital disclosures

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 shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, 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. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

Notes to the financial statements (continued)

For the year ended 31 December 2014

14. *Contingent liabilities and capital commitments*

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2013: £nil).

15. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

16. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2014 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued December 2013)	A collection of amendments to IFRSs from the 2010 - 12 and 2011 - 13 cycle of the annual improvements projects.	Annual periods beginning on or after 1 July 2014.
IFRS 9 Financial Instruments: Classification and Measurement [1]	Replaces those parts of IAS 39 Financial Instruments: Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in the existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2018.

1. At the date of this report, this pronouncement was awaiting EU endorsement.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements.

17. Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Bank plc (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.