

CAVEMINSTER LIMITED

28 October 2008

Member of Lloyds Banking Group

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COMPANIES HOUSE

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CAVEHINSTER LIMITED

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25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke  
A J Cumming (Alternate: A M Basing)  
J M Herbert  
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street  
London  
EC2V 7HN

REGISTERED NUMBER

2569981

## REPORT OF THE DIRECTORS

### REVIEW OF BUSINESS

During the year, the principal activity of the company was the management of cash deposits and this is likely to continue for the foreseeable future. The directors consider the results for the year to be satisfactory.

The results of the company show a profit before tax of £524,000 (2007: £449,000) for the year as set out in the income statement on page 5. The company has a net surplus to shareholder's equity of £8,524,000 (2007: £9,057,000).

The company is reliant on funding ultimately provided by Lloyds TSB Bank plc. Owing to uncertainty in financial markets, Lloyds TSB Bank plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds TSB Bank 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.

### DIVIDEND

A dividend of £670,000 was paid during the year (2007: £nil).

### DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year and since the year ended:

	Appointed	Resigned/ceased to be a director
P Higgins		16 May 2008
R A Isaacs	23 May 2008	
A B Vowles		21 May 2008

### RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing 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. The financial statements are required by law to 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 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 that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualification as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper 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 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.

### AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:

- 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.

### PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note '11 - Risk management of financial instruments' in these 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.

REPORT OF THE DIRECTORS

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department of 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 0845-0150010 (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 28 October 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

On behalf of the board

A handwritten signature in black ink, appearing to read 'S Slattery', with a long horizontal flourish extending to the right.

S Slattery  
Secretary

24 June 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CAVEMINSTER LIMITED

We have audited the financial statements of Caveminster Limited for the year ended 28 October 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholder's 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**

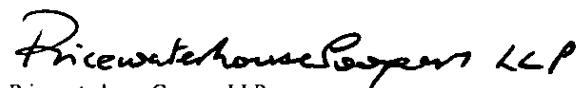
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 28 October 2008 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  
Chartered Accountants and Registered Auditors

Savannah House  
3 Ocean Way  
Ocean Village  
Southampton  
SO14 3TJ

15 July 2009

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**CAVEMINSTER LIMITED**

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**INCOME STATEMENT**

For the year ended 28 October 2008

	Note	2008 £000	2007 £000
Interest income	2	524	449
		<hr/>	<hr/>
<b>Profit before tax</b>	3	524	449
Taxation charge	4	(387)	(156)
		<hr/>	<hr/>
<b>Profit for the year</b>		137	293
		<hr/>	<hr/>


The accompanying notes are an integral part of the Financial Statements.

CAVEMINSTER LIMITED

BALANCE SHEET  
As at 28 October 2008

	Note	2008		2007	
		£000	£000	£000	£000
<b>Assets</b>					
<b>Current assets</b>					
Amounts owed by group companies	6	9,229		8,802	
Deferred taxation asset	7	39	9,268	307	9,109
<b>Total assets</b>			9,268		9,109
<b>Liabilities</b>					
<b>Current liabilities</b>					
Amounts owed to group companies	8		744		52
<b>Total liabilities</b>			744		52
<b>Equity</b>					
Share capital	9	8,375		8,375	
Retained earnings	10	149	8,524	682	9,057
<b>Total liabilities and equity</b>			9,268		9,109

The directors approved the accounts on 24 June 2009.

  
J M Herbert  
Director

The accompanying notes are an integral part of the Financial Statements.

## STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
<b>Balance at 29 October 2006</b>	9, 10	8,375	389	8,764
Profit for the year	10	-	293	293
<b>Balance at 28 October 2007 and 29 October 2007</b>	9, 10	8,375	682	9,057
Profit for the year	10	-	137	137
Dividend	5	-	(670)	(670)
<b>Balance at 28 October 2008</b>	9, 10	8,375	149	8,524

The accompanying notes are an integral part of the Financial Statements.



## CASH FLOW STATEMENT

For the year ended 30 September 2008

		2008 £000	2007 £000
	Note		
<b>Net cash flow from operating activities</b>	12	(390)	347
<b>Financing activities</b>			
Dividend paid	5	(670)	-
<b>Net cash used in financing activities</b>		(670)	-
<b>Net movement in cash and cash equivalents</b>		(1,060)	347
Cash and cash equivalents at beginning of the year	6	398	51
Cash and cash equivalents at end of the year	8	(662)	398

The accompanying notes are an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

**1 Accounting policies**

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

The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative contracts, on the basis of IFRS.

In preparing these financial statements the company has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of financial statements – Capital Disclosures. The adoption of IFRS 7 and IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

**Critical accounting estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

**- Impairment**

The company regularly reviews the portfolio of financial assets for impairment. In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets. Where this is the case, the impairment loss measured in accordance with note 1(b) below.

**(a) Leases**

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

When assets are leased under a finance lease the amount due from a lessee is recorded as a receivable at the present value of the lease payments being the company's net investment in the lease. Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the lease.

Initial direct costs attributed to negotiating and arranging a finance lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

**(b) Impairment**

At each balance sheet date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the asset's implicit rate in the underlying lease.

**(c) Taxation**

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

Deferred taxation 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

**(d) Cash and cash equivalents**

Cash and cash equivalents comprises 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.

**(d) Dividend**

Dividend are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

## NOTES TO THE FINANCIAL STATEMENTS

**2 Interest income**

Interest income represents the income received in respect of the company's interest bearing deposits from other group companies.

**3 Profit before tax**

Audit fees for the company are borne by the immediate parent company; the audit fee attributable to this company was £8,500 (2007: £2,800). The company has no employees and the directors received no remuneration in respect of their services to the company.

**4 Taxation charge**

	2008 £000	2007 £000
The charge for the year comprises:		
Group relief payable on current taxation profit for the year	(119)	(97)
	<hr/>	<hr/>
Total group relief payable for year	(119)	(97)
Deferred taxation (Note 7)	(268)	(59)
	<hr/>	<hr/>
Total taxation charge for the year	(387)	(156)

Tax on the company's profit differs from the taxation charge that would arise using the standard rate of corporation tax of 28.9% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before taxation	524	449
Tax charge at the standard rate of corporation tax	151	135
Impact of change in tax rates	236	21
	<hr/>	<hr/>
Total taxation charge for the year	387	156

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect from 1 April 2008. The impact of this change on the financial accounts for the year ending 28 October 2007 is to recognise a one off adjustment to the deferred taxation liability reflecting the adjustment required to remeasure the deferred taxation liability at a lower rate of tax for the remaining life of the underlying assets.

**5 Dividend**

	2008 £000	2007 £000
Dividend paid during the year	670	-
	<hr/>	<hr/>

Dividend per share for the ordinary shareholder is 8 pence per share (2007: £nil).

**6 Amounts owed by group companies**

	2008 £000	2007 £000
Amounts falling due within one year:		
Cash at bank	-	398
Bank deposits	8,700	8,400
Interest receivable	529	4
	<hr/>	<hr/>
	9,229	8,802

For further details please refer to note 13.

## NOTES TO THE FINANCIAL STATEMENTS

**7 Deferred taxation asset**

	2008 £000	2007 £000
At beginning of the year	307	366
Charge for the year	(268)	(59)
At end of the year	39	307

The deferred taxation charge in the income statement comprises the following differences:

	2008 £000	2007 £000
Accelerated tax depreciation	(268)	(59)

	2008 £000	2007 £000
Deferred taxation assets are comprised as follows:		
Excess future tax depreciation	39	307

**8 Amounts owed to group companies**

	2008 £000	2007 £000
Amounts falling due within one year:		
Bank overdraft	662	-
Group relief	82	52
	744	52

For further details please refer to note 13.

**9 Share capital**

	2008 £000	2007 £000
Authorised:		
Ordinary shares of £1 each	10,000	10,000
Allotted and issued:		
Ordinary shares of £1 each	8,375	8,375

The company's immediate parent company is St Mary's Court Investments. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Group plc), a limited liability company incorporated and domiciled 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 company of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street London, EC2V 7HN.

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 group's regulatory capital requirements.

The company's parent manages the company's capital structure and makes 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 company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

**10 Retained earnings**

	2008 £000	2007 £000
At beginning of the year	682	389
Profit for the year	137	293
Dividend paid (Note 5)	(670)	-
	<hr/>	<hr/>
At end of the year	149	682
	<hr/>	<hr/>

**11 Risk management of financial instruments**

The primary financial risks affecting the company are: credit risk and liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS 39 "Financial instruments: Recognition and measurement" financial assets and liabilities are designated as held at amortised cost. The accounting policies note 1 describes how different classes of financial instruments are measured and how income and expenses are recognised.

**Credit risk management**

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to the balance sheet carrying amount as at 28 October 2008.

	2008 £000	2007 £000
Financial assets which are neither past due nor impaired:		
Cash at bank	-	398
Bank deposits	8,700	8,400
Interest receivable	529	4
	<hr/>	<hr/>
Total credit risk exposure	9,229	8,802
	<hr/>	<hr/>

Credit risk management is performed by various committees established by the company's ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc). Financial assets are assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group.

At the balance sheet date the company assesses if there is objective evidence that financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in repayments. There was no evidence of impairments of the company's financial assets as at 28 October 2008 (2007: £nil).

**Liquidity risk management**

The table below analyses liabilities of the company according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date.

28 October 2008	Other liabilities £000	Total liabilities £000
On demand	744	744
Up to 1 Month	-	-
1-3 Months	-	-
3-12 Months	-	-
1-5 Years	-	-
Over 5 years	-	-
	<hr/>	<hr/>
Total	744	744
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

## 11 Risk management of financial instruments continued

28 October 2007	Other liabilities £000	Total liabilities £000
On demand	52	52
Up to 1 Month	-	-
1-3 Months	-	-
3-12 Months	-	-
1-5 Years	-	-
Over 5 years	-	-
	<hr/>	<hr/>
Total	52	52
	<hr/>	<hr/>

Other liabilities are repayable on demand.

## Interest rate risk management

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

## Interest rate sensitivity analysis – Impact on income statement

	Carrying amount £000	+25 bp £000	-25 bp £000
Financial assets			
Bank deposits	8,700	26	(26)
Impact of taxation (28.9%)		(8)	8
	<hr/>	<hr/>	<hr/>
Total volatility of financial instruments		18	(18)
		<hr/>	<hr/>

The degree of interest rate sensitivity is based on the minimum movement in base rate levels as applied by the Bank of England's Monetary Policy Committee.

## Currency risk

The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk.

## 12 Notes to the cash flow statement

	2008 £000	2007 £000
Profit before tax	524	449
	<hr/>	<hr/>
Operating cash flows before movements in working capital	524	449
Movement in receivables	(824)	4
	<hr/>	<hr/>
Cash generated by operations	(300)	453
Group relief paid	(90)	(106)
	<hr/>	<hr/>
Net cash flow from operating activities	(390)	347
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

**13 Related party transactions**

The company's related parties include other companies in the Lloyds Banking Group 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.

In respect of related party transactions, the outstanding balances receivable/(payable) as at 28 October were as follows:

Nature of transaction	Related party	2008 £000	2007 £000
Bank deposits	Fellow subsidiary undertaking	8,700	8,400
Interest receivable	Fellow subsidiary undertaking	529	4
(Bank overdraft)/cash at bank	Fellow subsidiary undertaking	(662)	398
Group relief payable	Immediate parent undertaking	(82)	(52)

Bank deposits are interest bearing and during the year rates of interest of up to 6.1% (2007: 5.3%) were charged. Finance income of £524,000 (2007: £449,000) was received during the year.

The company paid group relief of £90,000 (2007: £106,000) during the year to Lloyds TSB Bank plc.

**14 Future developments**

The following accounting standard changes will impact the company in the next financial period:

Pronouncement	Nature of change	Effective date
Revised IAS 1	Introduces changes to the presentation of the balance sheet, income statement and cash flow statement.	Annual periods beginning on or after 1 January 2009.

The full impact of this pronouncement is being assessed by the company; this pronouncement is not expected to cause any material impact to the financial statements.