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Registered number FC022760

LLOYDS TSB GATWICKSTRAAT (No.1) BV

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009**

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COMPANIES HOUSE

LLOYDS TSB GATWICKSTRAAT (No.1) BV

REGISTERED OFFICE

Strawinskylaan 1725
1077XX
Amsterdam

UK REGISTERED OFFICE

10 Gresham Street
London
EC2V 7AE

UK REGISTERED NUMBER

FC022760

UK REGISTERED BRANCH NUMBER

BR005731

DIRECTORS

R G M Conway
A Goldsmith

AUDITORS

PricewaterhouseCoopers Accountants NV
Amsterdam
The Netherlands
Thomas R Malthusstraat 5
1066 JR Amsterdam

BANKERS

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

LLOYDS TSB GATWICKSTRAAT (No.1) BV

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company's principal activity is to carry on the business of a finance company providing finance to Lloyds TSB Bank plc or its subsidiaries, and is authorised to enter into and participate in raising monies, buying securities, investing in securities and entering into derivative transactions. There are no expected changes to the Company's operations.

RESULTS AND DIVIDENDS

The profit after taxation for the year ended 31 December 2009 amounted to £2,212,000 (2008 £8,874,000). During the year, the Company paid ordinary dividends of £nil (2008 £3,219,000) and preference dividends of £2,340,000 (2008 £6,386,000).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

FINANCIAL RISK MANAGEMENT

Because of its activity as a finance company providing finance to Lloyds TSB Bank plc or its subsidiaries, the Company is exposed to limited market risk. In general, the Company's overall risk management system focuses on the unpredictability of financial markets and seeks to minimise the adverse effects on the financial performance of the Company. Policies approved by the Board of Directors cover risk management, the hedging of foreign exchange risk, interest rate risk, the use of derivative financial instruments, and investing excessive cash.

a) Foreign exchange risk

The Company is not exposed to foreign exchange risk arising from currency exposures as all transactions are in sterling.

b) Credit risk

Credit risk represents the risk of incurring a loss due to the non-fulfilment of contractual obligations by a counter-party. The Company has contractual obligations only with other Lloyds Banking Group companies.

c) Interest rate risk

Interest rate risk is the potential impact of changes in market interest rates on the fair values of assets and liabilities on the balance sheet and on the interest income and expense in the income statement.

KEY PERFORMANCE INDICATORS

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

DIRECTORS

The following are the directors who served during the year:

R G M Conway
A Goldsmith

LLOYDS TSB GATWICKSTRAAT (No.1) BV

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

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements. Company law 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 year end and of the profit or loss 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 accounting standards 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.

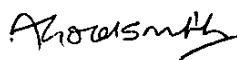
The directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with Part 9 of Book 2 of the Netherlands Civil Code. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS AND AUDIT INFORMATION

Each person who is 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 to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

PricewaterhouseCoopers was re-appointed as auditors.

On behalf of the board



A Goldsmith
Director
29th June 2010



R G M Conway
Director
29th June 2010

LLOYDS TSB GATWICKSTRAAT (No.1) BV

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £'000	2008 £'000
Interest and similar income		4,535	18,181
Interest expense and similar charges		(1,438)	(5,746)
NET INTEREST INCOME	3	3,097	12,435
Administrative expenses	4	(25)	(25)
PROFIT FOR THE YEAR BEFORE TAXATION		3,072	12,410
Taxation	5	(860)	(3,536)
PROFIT / TOTAL COMPREHESIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		2,212	8,874

The Company has no recognised gains and losses other than those included in the results above

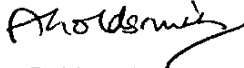
The accompanying notes are an integral part of the financial statements

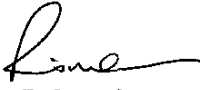
LLOYDS TSB GATWICKSTRAAT (No.1) BV

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
NON CURRENT ASSETS			
Loans to intermediate parent company	12	-	100,000
CURRENT ASSETS			
Amounts owed by immediate parent company	12	202,516	202,516
Other assets		3	379
Cash and cash equivalents	7	920	2,443
		<u>203,439</u>	<u>205,338</u>
TOTAL ASSETS		<u>203,439</u>	<u>305,338</u>
NON CURRENT LIABILITIES			
Amounts owed to other group company	8	-	100,000
CURRENT LIABILITIES			
Corporation tax payable		860	2,112
Other liabilities	9	25	544
		<u>885</u>	<u>2,656</u>
TOTAL LIABILITIES		<u>885</u>	<u>102,656</u>
CAPITAL AND RESERVES			
Ordinary share capital	10	17	17
Preference share capital	10	2	2
Share premium		202,500	202,500
Retained profits	11	35	163
Equity holders' funds		<u>202,554</u>	<u>202,682</u>
TOTAL EQUITY AND LIABILITIES		<u>203,439</u>	<u>305,338</u>

Approved by the board of directors on the 29th June 2010 and signed on its behalf by


A. Goldsmith
Director


R G M Conway
Director

The accompanying notes are an integral part of the financial statements

LLOYDS TSB GATWICKSTRAAT (No 1) BV

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Share capital			Share premium	Retained Profits	Total
	A Ordinary shares	B Ordinary shares	Preference shares			
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2007	14	3	2	202,500	894	203,413
Profit for the year	-	-	-	-	8,874	8,874
Dividends paid on preference shares	-	-	-	-	(6,386)	(6,386)
Dividends paid on ordinary shares	-	-	-	-	(3,219)	(3,219)
Balance at 31 December 2008	14	3	2	202,500	163	202,682
Profit for the year	-	-	-	-	2,212	2,212
Dividends paid on preference shares	-	-	-	-	(2,340)	(2,340)
Dividends paid on ordinary shares	-	-	-	-	-	-
Balance at 31 December 2009	14	3	2	202,500	35	202,554

The accompanying notes are an integral part of the financial statements

LLOYDS TSB GATWICKSTRAAT (No.1) BV

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £'000	2008 £'000
Profit for the year before taxation		3,072	12,410
Adjustments for			
Interest income	3	(4,535)	(18,181)
Interest expense	3	1,438	5,746
Operating profit before working capital changes		(25)	(25)
Decrease / (Increase) in other assets		-	-
(Decrease) / Increase in other liabilities		(519)	-
Cash generated from operations		(544)	(25)
Interest paid		(1,438)	(5,976)
Tax paid		(2,112)	(3,348)
Net cash generated from operating activities		(4,094)	(9,349)
Cash flows from investing activities			
Repayment of loan to intermediate parent company	12	100,000	-
Interest received		4,911	18,449
Net cash used in investing activities		104,911	18,449
Cash flows from financing activities			
Repayment to other group company	12	(100,000)	-
Dividends paid to preference shareholders	6	(2,340)	(6,386)
Dividends paid to ordinary shareholders	6	-	(3,219)
Net cash used in financing activities		(102,340)	(9,605)
Decrease in cash and cash equivalents		(1,523)	(505)
Cash and cash equivalents at beginning of year		2,443	2,948
Cash and cash equivalents at end of year	7	920	2,443

The accompanying notes are an integral part of the financial statements

The classification of the comparative balances above has been amended to more accurately reflect the nature of the cashflows

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

1 GENERAL INFORMATION AND ACCOUNTING POLICIES

The Company has been incorporated in the Netherlands for the purpose of carrying on the business of a finance company providing finance to Lloyds TSB Bank plc or its subsidiaries

The Company is registered, number BV1125536

The following were directors of the Company during the year

R G M Conway
A Goldsmith

The Company has an authorised share capital of €55,000 of which €31,000 has been issued and fully paid

At 31 December 2009, the immediate holding company was Lloyds TSB Financial Services Holdings Limited and the ultimate holding company was Lloyds Banking Group plc

A copy of the consolidated financial statements of Lloyds Banking Group plc (formerly Lloyds TSB Group plc) can be obtained from the Company Secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN

The financial figures of the Company have been consolidated in the statements of Lloyds Banking Group plc

Accounting policies for the year ended 31 December 2009

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

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") in conformity with Book 9 article 2 362, sub 1 of the Dutch Civil Code

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

IAS1 Presentation of Financial Instruments

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). Where there are no items of other comprehensive income the Company has elected to present one 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 on amounts recognised in these financial statements

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in pound sterling, which is the Company's functional and presentation currency

1 ACCOUNTING POLICIES (continued)

Revenue recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided.

Income taxes, including deferred income taxes

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements. Deferred tax is determined using tax rates that have been enacted or announced by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Loans and advances

Loans and advances are accounted for at amortised cost using the effective interest method. Loans and advances are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Loans and advances are derecognised when the rights to receive cash flows from them have expired or where the Company has transferred substantially all risks and rewards of ownership.

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.

Borrowings

Borrowings are stated at amortised cost using the effective interest method and are classified as financial liabilities. The coupon paid on these instruments is recognised in the income statement as interest expense.

Share Capital

Dividends on ordinary shares treated as equity are recognised in equity in the period in which they are paid. Preferred shares that are non-redeemable and on which dividends are declared at the discretion of the directors are classified as equity.

Financial risk management

Because of its activity as a finance company providing finance to Lloyds TSB Bank plc or its subsidiaries, the Company is exposed to limited market risk. In general, the Company's overall risk management system focuses on the unpredictability of financial markets and seeks to minimize the adverse effects on the financial performance of the Company. Policies approved by the Board of Directors cover risk management, the hedging of foreign exchange risk, interest rate risk, the use of derivative financial instruments, and investing excessive cash.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

a) Foreign exchange risk

The Company is not exposed to foreign exchange risk arising from currency exposures as all transactions are in sterling

b) Credit risk

Credit risk represents the risk of incurring a loss due to the non-fulfilment of contractual obligations by a counter-party. The Company has contractual obligations only with other Lloyds Banking Group companies

c) Interest rate risk

Interest rate risk is the potential impact of changes in market interest rates on the fair values of assets and liabilities on the balance sheet and on the interest income and expense in the income statement

Future accounting 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 ¹ (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard basis but not earlier than annual periods beginning on or after 1 January 2010
IFRS 9 Financial Instruments Classification and Measurement ¹	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two, fair value and amortised cost. The existing available-for-sale and held-to-maturity categories have been eliminated. Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows	Annual periods beginning on or after 1 January 2013
IAS24 Related Party Disclosures ¹	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

1 At the date of this report, these pronouncements are awaiting EU endorsement

The full impact of these accounting changes is being assessed by the Company. With the exception of IFRS 9, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial statements

2 Critical accounting estimates and judgements

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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. However, none of these was deemed critical to the Company's results and financial position

LLOYDS TSB GATWICKSTRAAT (No.1) BV

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

3 Net interest income	2009 £'000	2008 £'000
<i>Interest income</i>		
Interest received on cash at bank with Lloyds TSB Bank plc	11	142
Interest received on loans to related parties	4,524	18,039
	<u>4,535</u>	<u>18,181</u>
<i>Interest expense</i>		
Interest on deposit from other group company	1,438	5,746
	<u>3,097</u>	<u>12,435</u>

4 Administrative expenses

The profit before taxation for the year is stated after charging

	2009 £'000	2008 £'000
Administrative expenses		
Statutory audit fees	5	5
Management and administrative charge	20	20
	<u>25</u>	<u>25</u>

The Company incurs no direct administrative costs but is subject to a management charge from Lloyds TSB Bank plc which is included in administrative expenses. The amount of £20,000 (2008: £20,000) includes charges relating to management services provided, services rendered by the board of directors and charges relating to facilitation of services provided.

The number of persons employed by the Company during the year was nil (2008: nil).

5 TAXATION

	2009 £'000	2008 £'000
Current tax:		
Corporation tax charge – current year	860	3,536

The charge for tax on the profit for the year is based on a United Kingdom corporation tax rate of 28 per cent (2008: corporation tax rate of 28.5 per cent).

	2009 £'000	2008 £'000
Profit before tax	<u>3,072</u>	<u>12,410</u>
Tax calculated at domestic tax rate applicable to profits in the respective country	860	3,536
Tax charge	<u>860</u>	<u>3,536</u>

LLOYDS TSB GATWICKSTRAAT (No.1) BV**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)****6 DIVIDENDS**

	2009 £'000	2008 £'000
Dividends paid on preference shares	2,340	6,386
Dividends paid on ordinary shares	-	3,219
	<u>2,340</u>	<u>9,605</u>

7 CASH AND CASH EQUIVALENTS

	2009 £'000	2008 £'000
Cash at Bank (note 12)	<u>920</u>	<u>2,443</u>

Cash and cash equivalents includes deposits held at call with Lloyds TSB Bank plc Interest on the cash balance is receivable at variable LIBOR rate

8 NON-CURRENT LIABILITIES

	2009 £'000	2008 £'000
Amounts owed to group undertakings		
Deposits (note 12)	<u>-</u>	<u>100,000</u>

A deposit of £100,000 relating to Faryner's House Investments Limited, a Lloyds Banking Group company, matured on 28 August 2009

9 OTHER LIABILITIES

	2009 £'000	2008 £'000
Amounts owed to group undertakings	20	539
Accrued expenses	<u>5</u>	<u>5</u>
	<u>25</u>	<u>544</u>

LLOYDS TSB GATWICKSTRAAT (No.1) BV**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)****10 CALLED UP SHARE CAPITAL**

The information below details the Euro amount of the equity of the Company, and the GBP equivalent of those amounts. The exchange rates used for these conversions are 1.6184 for the A Ordinary and Preference shares which were issued in July 2000, and 1.6346 for the B Ordinary shares that were issued in March 2002.

	2009	2008
	€'000	€'000
Authorised		
180 Class A Ordinary shares of €250 each	45	45
20 Class B Ordinary shares of €250 each	5	5
20 Preference shares of €250 each	5	5
	<u>55</u>	<u>55</u>
Allotted, called up and fully paid		
90 Class A Ordinary shares of €250 each	23	23
20 Class B Ordinary shares of €250 each	5	5
10 Preference shares of €250 each	3	3
	<u>31</u>	<u>31</u>
	2009	2008
	£'000	£'000
Authorised		
180 Class A Ordinary shares of €250 each	28	28
20 Class B Ordinary shares of €250 each	3	3
20 Preference shares of €250 each	3	3
	<u>34</u>	<u>34</u>
Allotted, called up and fully paid		
90 Class A Ordinary shares of €250 each	14	14
20 Class B Ordinary shares of €250 each	3	3
10 Preference shares of €250 each	2	2
	<u>19</u>	<u>19</u>

Ordinary shares were issued for a total consideration of £52,514,000 and the preference shares were issued for a total consideration of £150,002,000. The allotted, called up and fully paid shares are shown at the sterling equivalent of their values on the date they were issued.

The Class 'A' Ordinary shares and Class 'B' Ordinary shares rank equally in voting rights. The Preference shares do not have any voting rights, but holders of these shares rank ahead of Ordinary shareholders with respect to their rights on winding-up of the Company. The 'B' Ordinary shares are limited to a maximum distribution out of profits of one Euro cent per B ordinary share.

The holders of the preference shares are entitled to their dividend, in priority to any payment of dividends to the holders of any other class of share or stock. Upon a return of capital, the holder of the preference shares shall be entitled, in priority to any payment to the holders of any other class of share, to receive an amount equal to the nominal amount paid on each share, and any premium paid at issuance and all arrears of dividends payable (if there are any).

LLOYDS TSB GATWICKSTRAAT (No.1) BV

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

11 RETAINED PROFITS

	2009 £'000	2008 £'000
At 1 January	163	894
Profit for the year	2,212	8,874
Preference dividends paid	(2,340)	(6,386)
Ordinary dividends paid	-	(3,219)
At 31 December	<u>35</u>	<u>163</u>

12 RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

There were no transactions between the Company or its subsidiaries with 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. There was no remuneration payable to the directors' for the current or previous year.

(i) Loans to related parties

	2009 £'000 Book value	2009 £'000 Fair value	2008 £'000 Book value	2008 £'000 Fair value
Lloyds TSB Bank plc	-	-	100,000	100,190
Lloyds TSB Financial Services Holdings Limited – Loan Due 31/12/2010	202,516	202,516	202,516	202,597
	<u>202,516</u>	<u>202,516</u>	<u>302,516</u>	<u>302,787</u>

Interest on the above loan is receivable at variable LIBOR rate. The related interest income in the year was £4,523,865 (2008: £18,038,796). On 31 December 2009, the maturity of the loan to Lloyds TSB Financial Services Holdings Limited was extended for one year to 31 December 2010. During the year, £100,000 was repaid by Lloyds TSB Bank plc.

(ii) Cash balances with related parties

	2009 £'000	2008 £'000
Lloyds TSB Bank plc – Cash at bank	<u>920</u>	<u>2,443</u>

(iii) Long term borrowings from related parties

	2009 £'000 Book value	2009 £'000 Fair value	2008 £'000 Book value	2008 £'000 Fair value
Deposit from Faryner's House Investments Limited	-	-	100,000	100,190

The deposit from Faryner's House Investments Limited, a fellow subsidiary, was repaid during the year.

LLOYDS TSB GATWICKSTRAAT (No.1) BV**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)****12 RELATED PARTY TRANSACTIONS (continued)***(iv) Other liabilities with related parties*

	2009 £'000	2008 £'000
Amounts owed to group undertakings	20	539

The amounts owed to group undertakings include management charges payable to Lloyds TSB Bank plc of £20,000 (2008 £175,000)

(v) Fees paid to related parties

	2009 £'000	2008 £'000
Administration fee for services provided by Lloyds TSB Bank plc	20	20

(vi) Interest income and expense with related parties

	2009 £'000	2008 £'000
Interest received on cash at bank with Lloyds TSB Bank plc	11	142
Interest received on loans to related parties	4,524	18,039
	4,535	18,181
Interest expense		
Interest on deposit with other group company	1,438	5,746
Net interest income	3,097	12,435

13 FINANCIAL RISK MANAGEMENT

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates. The Company makes loans to other Lloyds Banking Group companies at floating rates and for various periods.

A Interest rate risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and interest rate sensitive assets. From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the group and are not managed separately. The scenarios are run only for assets that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of approximately £364,000.

The table below summarises the repricing mismatches of the Company's assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Expected repricing and maturity dates do not differ significantly from the contract dates.

LLOYDS TSB GATWICKSTRAAT (No.1) BV

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

13 FINANCIAL RISK MANAGEMENT (continued)

As at 31 December 2009	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non- interest bearing £'000	Total £'000
Assets:							
Loan to intermediate parent company	-	-	-	-	-	-	-
Amounts owed by immediate parent company	-	202,516	-	-	-	-	202,516
Cash and cash equivalents	920	-	-	-	-	-	920
Other assets	-	-	-	-	-	3	3
Total assets	920	202,516	-	-	-	3	203,439
Liabilities:							
Amounts owed to other group company	-	-	-	-	-	-	-
Corporation tax payable	-	-	-	-	-	860	860
Other liabilities	-	-	-	-	-	25	25
Total liabilities	-	-	-	-	-	885	885
Total interest sensitivity gap	920	202,516	-	-	-	(882)	202,554
As at 31 December 2008							
	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non- interest bearing £'000	Total £'000
Assets:							
Loan to intermediate parent company	-	100,000	-	-	-	-	100,000
Amounts owed by immediate parent company	-	202,516	-	-	-	-	202,516
Cash and cash equivalents	2,443	-	-	-	-	-	2,443
Other assets	-	-	-	-	-	379	379
Total assets	2,443	302,516	-	-	-	379	305,338
Liabilities:							
Amounts owed to other group company	-	100,000	-	-	-	-	100,000
Corporation tax payable	-	-	-	-	-	2,112	2,112
Other liabilities	-	-	-	-	-	544	544
Total liabilities	-	100,000	-	-	-	2,656	102,656
Total interest sensitivity gap	2,443	202,516	-	-	-	(2,277)	202,682

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

13 FINANCIAL RISK MANAGEMENT (continued)

B Fair values of financial assets and liabilities

Financial instruments include financial assets and financial 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.

Wherever possible, fair values have been estimated using quoted market prices for instruments held. Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics. In certain cases, where no ready markets currently exist, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily subjective in nature and involve several assumptions.

The Company provides loans and advances to customers and other Lloyds Banking Group companies at a variable rate. The fair value for these loans and advances presented in the following table were estimated by discounting anticipated cash flows at a rate which reflects the effects of interest rate changes, adjusted for changes in credit risk, and are considered to be approximately the same as the carrying value. The fair values are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date. The carrying value of these variable rate loans is assumed to be their fair value.

	Carrying value 31 December 2009 £'000	Carrying value 31 December 2008 £'000	Fair value 31 December 2009 £'000	Fair value 31 December 2008 £'000
Financial assets				
Loans to intermediate parent company	-	100,000	-	100,190
Amounts owed by immediate parent company	202,516	202,516	202,516	202,597
	<u>202,516</u>	<u>302,516</u>	<u>202,516</u>	<u>302,787</u>
Financial liabilities				
Amounts owed to other group companies	-	100,000	-	100,190
	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,190</u>

C Measurement basis of financial assets and liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading.

	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
As at 31 December 2009			
<i>Financial assets</i>			
Loan to intermediate parent company	202,516	-	202,516
Other current assets	-	3	3
Cash and cash equivalents	-	920	920
Total financial assets	<u>202,516</u>	<u>923</u>	<u>203,439</u>
<i>Financial liabilities</i>			
Amounts owed to other group company	-	-	-
Other current liabilities	-	25	25
Total financial liabilities	<u>-</u>	<u>25</u>	<u>25</u>

LLOYDS TSB GATWICKSTRAAT (No.1) BV

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

13 FINANCIAL RISK MANAGEMENT (continued)

C Measurement basis of financial assets and liabilities (continued)

	Loans and receivables	Held at amortised cost	Total
	£'000	£'000	£'000
As at 31 December 2008			
<i>Financial assets</i>			
Loan to intermediate parent company	202,516	-	202,516
Amounts owed by immediate parent company	100,000	-	100,000
Other current assets	-	379	379
Cash and cash equivalents	-	2,443	2,443
Total financial assets	302,516	2,822	305,338
<i>Financial liabilities</i>			
Amounts owed to other group company	-	100,000	100,000
Other current liabilities	-	544	544
Total financial liabilities	-	100,544	100,544

D Credit risk

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at the period end.

	31 December 2009 £'000	31 December 2008 £'000
Loan to intermediate parent company	202,516	202,516
Amounts owed by immediate parent company	-	100,000
Other current assets	3	379
Cash and cash equivalents – Lloyds TSB Bank plc	920	2,443
Total credit risk exposure	203,439	305,338

The current rating of Lloyds TSB Bank plc, is Aa3 as per Moody's

LLOYDS TSB GATWICKSTRAAT (No.1) BV

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

13 FINANCIAL RISK MANAGEMENT (continued)

E Liquidity risk

The table below analyses liabilities of the Company on an undiscounted future cashflows basis according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date, balances with no fixed maturity are included in the over 5 years category

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2009							
Amounts owed to other group company	-	-	-	-	-	-	-
Current tax liabilities	860	-	-	-	-	-	860
Other current liabilities	25	-	-	-	-	-	25
Total	885	-	-	-	-	-	885
As at 31 December 2008							
Amounts owed to other group company	-	-	975	2,957	115,651	-	119,583
Current tax liabilities	2,112	-	-	-	-	-	2,112
Other current liabilities	180	-	-	-	-	-	180
Total	2,292	-	975	2,957	115,651	-	121,875

F Capital risk management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

LLOYDS TSB GATWICKSTRAAT (No.1) BV

OTHER INFORMATION - 31 DECEMBER 2009

PROFIT APPROPRIATION ACCORDING TO THE ARTICLES OF ASSOCIATION

According to article 22 of the Articles of Association (as amended 26 July 2007), the Board of Directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company and authorise payment of the same out of the funds of the Company lawfully available. The Company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the distributable part of the net assets.

During the year, and pursuant to the Articles of Association, an amount of £2,340,000 (2008 £6,386,000) is paid out to the holders of preference shares and an amount of £nil (2008 £3,219,000) is paid out to the holders of ordinary shares.

	2009	2008
	£'000	£'000
Retained profits brought forward balance	163	894
Profit for the year	2,212	8,874
Distribution to holders of preference shares	(2,340)	(6,386)
Distribution to holders of ordinary shares	-	(3,219)
Retained profits carried forward balance	35	163

POST BALANCE SHEET EVENTS

There are no events subsequent to the balance sheet date which require disclosure in these financial statements.