

LLOYDS INVESTMENT BONDS LIMITED

31 December 2008

Member of Lloyds Banking Group

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COMPANIES HOUSE

LLOYDS INVESTMENT BONDS LIMITED

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED NUMBER

2468722

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year the principal activity of the company was the holding of an investment in a subsidiary undertaking and this is likely to continue for the foreseeable future.

The results of the company show a loss before taxation of £130,455,000 (2007: £9,756,000) for the year as set out in the income statement on page 5. The company has a net deficit on shareholder's equity of £115,913,000 (2007: £3,073,000 surplus).

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.

DIVIDENDS

The directors did not authorise or pay any dividends 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
A M Basing		7 September 2009
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 the 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 qualifications 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 that 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 '13 – 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.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications 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 31 December 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', written in a cursive style.

S Slattery
Secretary

28 October 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS INVESTMENT BONDS LIMITED

We have audited the financial statements of Lloyds Investment Bonds Limited for the year ended 31 December 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Hays Galleria
1 Hays Lane
London
SE1 2RD

30 October 2009

LLOYDS INVESTMENT BONDS LIMITED

INCOME STATEMENT

For the year ended 31 December 2008

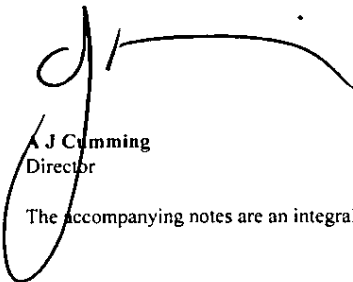
	Note	2008 £000	2007 £000
Finance costs	2	(12,358)	(16,682)
Foreign exchange (loss)/gain		(118,097)	6,926
		<hr/>	<hr/>
Loss before taxation	3	(130,455)	(9,756)
Taxation credit	4	14,922	4,733
		<hr/>	<hr/>
Loss for the year		(115,533)	(5,023)
		<hr/>	<hr/>

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

BALANCE SHEET
As at 31 December 2008

	Note	2008		2007	
		£000	£000	£000	£000
Assets					
Non-current assets					
Investment in subsidiary undertakings	5	281,871		281,871	
Deferred taxation	9	2,079	283,950	737	282,608
Current assets					
Amounts owed by group companies	6		10,816		30,987
Total assets			294,766		313,595
Liabilities					
Current liabilities					
Amounts owed to group companies	7		410,679		310,522
Total liabilities			410,679		310,522
Equity					
Share capital	10	10		10	
Other reserves	11	(5,346)		(1,893)	
Retained earnings	12	(110,577)	(115,913)	4,956	3,073
Total liabilities and equity			294,766		313,595

The directors approved the accounts on 28 October 2009.



J Cumming
Director

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

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 December 2006	10,11,12	10	(2,099)	9,979	7,890
Loss for the year		-	-	(5,023)	(5,023)
Change in fair value of derivatives	11	-	206	-	206
Balance at 31 December 2007	10,11,12	10	(1,893)	4,956	3,073
Loss for the year		-	-	(115,533)	(115,533)
Change in fair value of derivatives	11	-	(3,453)	-	(3,453)
Balance at 31 December 2008	10,11,12	10	(5,346)	(110,577)	(115,913)

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

CASH FLOW STATEMENT
For the year ended 31 December 2008

		2008 £000	2007 £000
	Note		
Net cash flow from operating activities	14	78,180	(95,259)
Net movement in cash and cash equivalents		78,180	(95,259)
Cash and cash equivalents at beginning of the year	6,7	(78,243)	17,016
Cash and cash equivalents at end of the year	6,7	(63)	(78,243)
Cash and cash equivalents are comprised of:			
Bank deposits	6	-	29,682
Bank overdraft	7	(63)	(107,925)
		(63)	(78,243)

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.

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 is measured in accordance with note 1(b) below.

(a) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at historical cost, less any provisions for impairment.

(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 underlying asset's implicit rate in the 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) Dividends

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

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, bank overdraft 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.

NOTES TO THE FINANCIAL STATEMENTS

(f) Derivative financial instruments

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Derivatives may only be designated as hedges provided certain strict criteria are met. At the inception of a hedge its terms must be clearly documented and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated.

The company designates derivatives as hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(g) Foreign currency translation

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 sterling, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

2 Finance costs

	2008 £000	2007 £000
Interest payable on bank loans and overdraft to other group companies	12,358	14,742
Interest rate swaps: Termination costs	-	1,940
	<u>12,358</u>	<u>16,682</u>

3 Loss before taxation

Audit fees for the company are borne by the immediate parent company; the audit fee attributed to this company for the year 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 credit

	2008 £000	2007 £000
The credit for the year comprises:		
Group relief receivable on current taxation loss for the year	14,700	4,733
Adjustment in respect of prior year	222	-
	<u>14,922</u>	<u>4,733</u>
Total taxation credit for the year		

Taxation on the company's loss for the year did differ from the taxation credit that would arise using the standard rate of corporation tax of 28.5% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Loss before taxation	(130,455)	(9,756)
Taxation credit at the standard rate of corporation tax	37,176	2,927
Non-taxable foreign currency movements	(22,254)	1,806
	<u>14,922</u>	<u>4,733</u>
Total taxation credit for the year		

NOTES TO THE FINANCIAL STATEMENTS

5 Investment in subsidiary undertakings

	2008 £000	2007 £000
At beginning and end of the year	281,871	281,871
Details of investments:	2008 £	2007 £
Silentdale Limited:		
Ordinary non-voting shares of £0.25 each	50	50
6% preference shares of £0.25 each	50	50
	100	100
	2008 US\$	2007 US\$
Silentdale Limited:		
Redeemable non-voting shares of US\$1.00 each	418,615,689	418,615,689

Silentdale Limited is incorporated in the United Kingdom and is 100% owned by Lloyds Investment Bonds Limited. The company carries on business as a holding company of investments for leasing partnerships.

6 Amounts owed by group companies

	2008 £000	2007 £000
Bank deposits	-	29,682
Group relief receivable	10,816	1,305
	10,816	30,987

For further details please refer to note 15.

7 Amounts owed to group companies

	2008 £000	2007 £000
Bank overdraft	63	107,925
Amounts due to fellow group subsidiaries	336,483	20,940
Bank borrowings	66,271	178,552
Interest payable	437	475
Derivative financial instruments	7,425	2,630
	410,679	310,522

For further details please refer to note 15.

8 Derivative financial instruments

Derivative financial instruments include interest rate swaps. An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts. The fair values of these derivative financial instruments are based on discounted cash flow models as at 31 December 2008.

The principal derivatives used by the company are designated as cash flow hedges and are detailed below. The contracted amount is shown in USD being the swap currency and the fair values quoted in GBP.

	Contract/notional amount USD\$000	Fair values Assets £000	Liabilities £000
31 December 2008			
USD Interest rate swaps	96,489		7,425
31 December 2007			
USD Interest rate swaps	91,617		2,630

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred taxation

	2008 £000	2007 £000
At beginning of the year	737	900
Movement in other reserves	1,342	(163)
	<hr/>	<hr/>
At end of the year	2,079	737
	<hr/>	<hr/>

Deferred taxation assets are comprised as follows:

	2008 £000	2007 £000
Cash flow hedge reserve	2,079	737
	<hr/>	<hr/>

10 Share capital

	2008 £	2007 £
Authorised, allotted and issued: Ordinary shares of £1 each	10,000	10,000
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The company's immediate parent company is Lloyds TSB Leasing Limited. 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 and bank borrowings as disclosed in note 7.

11 Other reserves

	2008 £000	2007 £000
At beginning of the year	(1,893)	(2,099)
Change in fair value of cash flow hedges	(4,795)	369
Deferred taxation thereon	1,342	(110)
Impact of tax rate change	-	(53)
	<hr/>	<hr/>
At end of the year	(5,346)	(1,893)
	<hr/>	<hr/>

12 Retained earnings

	2008 £000	2007 £000
At beginning of the year	4,956	9,979
Loss for the year	(115,533)	(5,023)
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At end of the year	(110,577)	4,956
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

13 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" all financial assets and liabilities are designated as held at amortised cost. The accounting policies in note 1 describe 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 be the balance sheet carrying amount at 31 December 2008.

	2008 £000	2007 £000
Financial assets which are neither past due nor impaired:		
Amounts owed by group companies	10,816	30,987
Total credit risk exposure	10,816	30,987

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc). Each financial asset is 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. The company has no credit risk with a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc) being a AAA (2007: AAA) credit rated financial institution.

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired.

At 31 December 2008 and 2007 there were no impairments relating to credit risk against any financial assets. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

Liquidity risk management

At 31 December 2008	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total £000
On demand	63	-	336,483	336,546
Up to 1 Month	-	-	-	-
1-3 Months	-	66,708	-	66,708
3-12 Months	-	-	-	-
1-5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	63	66,708	336,483	403,254
At 31 December 2007	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total £000
On demand	107,925	-	20,940	128,865
Up to 1 Month	-	-	-	-
1-3 Months	-	179,027	-	179,027
3-12 Months	-	-	-	-
1-5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	107,925	179,027	20,940	307,892

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking. Other liabilities are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

13 Risk management of financial instruments (continued)

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. The company has no exposure to fixed rate financial instruments.

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of financial assets are matched to the terms of its liabilities.

Where interest rate risk is not covered by the structure of the assets and liabilities, where required, the company will enter into interest rate swap transactions to hedge against any cash flow interest rate risk.

Interest rate sensitivity analysis – Impact on income statement

	Carrying amount £000	+25 bp £000	-25 bp £000
Financial Liabilities:			
Bank borrowings	66,271	166	(166)
Amounts due to fellow subsidiaries	336,483	841	(841)
Impact of taxation (28.5%)		(287)	287
Impact on financial liabilities after tax		720	(720)
Total volatility of financial instruments		720	(720)

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:

Foreign currency risk - Carrying amount As at 31 December 2008	GBP £000	USD \$000
Financial assets		
Amounts owed by group companies	10,816	-
Financial liabilities		
Amounts owed to group companies	26,008	560,081
Foreign currency risk - Carrying amount As at 31 December 2007	GBP £000	USD \$000
Financial assets		
Amounts owed by group companies	30,987	-
Financial liabilities		
Amounts owed to group companies	1,922	619,175

The company's exposure to foreign currency fluctuations arises due to its financial assets and borrowings in foreign currencies. The company hedges its foreign currency exposure, where required, by matching the foreign currency assets with its foreign currency liabilities.

NOTES TO THE FINANCIAL STATEMENTS

14 Notes to the cash flow statement

	2008 £000	2007 £000
Loss from operations	(130,455)	(9,756)
Adjustment for non cash items: Foreign exchange movements	118,097	(6,926)
Operating cash flows before movements in working capital	(12,358)	(16,682)
Movement in receivables	-	1,169
Movement in payables	85,126	(83,374)
Cash generated by operations	72,768	(98,887)
Group relief received	5,412	3,628
Net cash flow from operating activities	78,180	(95,259)

15 Related parties

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) at 31 December were as follows:

Nature of transaction	Related party	2008 £000	2007 £000
Bank deposits	Fellow subsidiary undertaking	-	29,682
Group relief receivable	Immediate parent undertaking	10,816	1,305
Bank overdraft	Fellow subsidiary undertaking	(63)	(107,925)
Amounts due to subsidiary undertaking	Fellow subsidiary undertaking	(336,483)	(20,940)
Bank borrowings	Fellow subsidiary undertaking	(66,271)	(178,552)
Interest payable	Fellow subsidiary undertaking	(437)	(475)
Financial derivative liability	Fellow subsidiary undertaking	(7,425)	(2,630)

Bank borrowings are interest bearing and during the year rates of interest of up to 4.7% (2007: 5.8%) were charged. Finance costs of £12,358,000 (2007: £16,682,000) were incurred during the year.

The company received group relief of £5,412,000 (2007: £3,628,000) during the year from Lloyds TSB Bank plc.

16 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.