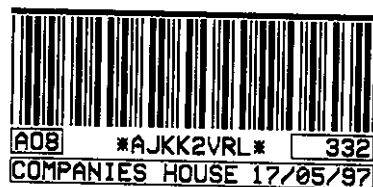


LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

31 December 1996



Member of Lloyds TSB Group

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED
203 Blackfriars Road London SE1 8NH

DIRECTORS

A E Moore CBE - Chairman
J A Davies
D H A Harrison
P B Miles (alternate: A R Foad)

SECRETARY

P A Stafford

AUDITORS

Price Waterhouse

REGISTERED OFFICE

71 Lombard Street
London EC3P 3BS

REGISTERED NUMBER

2521664

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activities of the company are leasing and identifying investment opportunities and making suitable investments.

During the year the company incurred expenditure on leased assets of £12,941,000 and at the end of the year the cost of leased assets amounted to £12,941,000.

RESULTS

The profit after taxation for the year ended 31 December 1996 amounted to £64,000 as set out in the profit and loss account on page 5.

An interim dividend of £70,000 is to be paid in March 1997.

DIRECTORS

The names of the directors of the company are shown on page 1.

All the directors are also directors of Lloyds Leasing Limited, the immediate parent company, and reference to their interests in the capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries is made in the report and accounts of Lloyds Leasing Limited.

POLICY ON PAYMENT OF CREDITORS

Businesses within the Lloyds TSB Group are responsible for agreeing terms with their suppliers. In the UK, standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different arrangements have been agreed with suppliers. It is the policy of the Lloyds TSB Group to abide by the agreed terms of payment.

On behalf of the board



P A Stafford
Secretary

11 March 1997

AUDITORS' REPORT TO THE MEMBER OF LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

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 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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy 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.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants
and Registered Auditors

Southwark Towers
32 London Bridge Street
London SE1 9SY

11 March 1997

ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention, in compliance with the requirements of the Companies Act 1985 and in accordance with applicable accounting standards. The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent company.

(a) Investments - Listed British Government securities

Investments are held at cost and any premium or discount is amortised from purchase to maturity in equal annual instalments.

(b) Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

(c) Income recognition - finance leases

Post-tax profits on leases are allocated to the profit and loss account in proportion to the net cash invested in each period taking into account the effects of taxation so as to give a constant periodic rate of return. The taxation charge and pre-tax profits are determined by reference to the post-tax profit allocated and the rate of tax applicable for the period. Income arising during the secondary lease period is recognised when due.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	Note	1996 £000	1995 £000
INVESTMENT INCOME RECEIVABLE		6	7
AMORTISATION OF INVESTMENTS	3	1	1
		<hr/>	<hr/>
		5	6
AMORTISATION OF LEASED ASSETS		1,031	-
		<hr/>	<hr/>
		1,036	6
INTEREST EXPENSE	1	443	-
		<hr/>	<hr/>
		593	6
OPERATING EXPENSES			
Administrative expenses		497	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		96	6
TAXATION	4	32	2
		<hr/>	<hr/>
PROFIT AFTER TAXATION		64	4
		<hr/>	<hr/>

There are no further gains or losses attributable to the shareholder other than those disclosed above.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES
for the year ended 31 December 1996

	1996 £000	1995 £000
PROFIT FOR THE YEAR AFTER TAXATION	64	4
DIVIDEND	70	-
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CAPITAL AND RESERVES	(6)	4
CAPITAL AND RESERVES AT BEGINNING OF YEAR	17	13
	<hr/>	<hr/>
CAPITAL AND RESERVES AT END OF YEAR	11	17
	<hr/>	<hr/>

The notes on pages 8 to 10 form part of these accounts.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

BALANCE SHEET
at 31 December 1996

	Note	1996 £000	1995 £000
ASSETS			
FIXED ASSETS			
Investments	3	95	96
CURRENT ASSETS			
Finance lease receivables after more than one year	5	13,972	-
Amounts owed by group companies	6	309	-
Other debtors		904	4
		<hr/>	<hr/>
		15,280	100
		<hr/>	<hr/>
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	7	10	10
Profit and loss account	8	1	7
		<hr/>	<hr/>
		11	17
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	340	-
CREDITORS			
Amounts owed to group companies	10	14,929	83
		<hr/>	<hr/>
		15,280	100
		<hr/>	<hr/>



A E Moore - Chairman



P B Miles - Managing Director

The notes on pages 8 to 10 form part of these accounts.

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

NOTES TO THE ACCOUNTS

1 INTEREST EXPENSE

1996	1995
£000	£000

Interest expense comprises:

Interest payable to group companies on bank loans and swaps	443	-
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2 DIRECTORS' EMOLUMENTS

An aggregate amount of £3,000 was deemed to have been paid by Lloyds Bank Plc for the services of one director in respect of the management of the affairs of the company (1995: £3,000 to one director). There were no other directors' emoluments paid in respect of services to the company.

3 INVESTMENTS

Listed British Government securities

	Cost £000	Amortisation £000	Balance sheet amount £000
At 1 January 1996	98	(2)	96
Amortisation of discount	-	(1)	(1)
At 31 December 1996	98	(3)	95

The mid market value of listed investments at 31 December 1996 was £91,000 (1995: £92,000).

4 TAXATION CHARGE

	1996 £000	1995 £000
Group relief (receivable) payable	(308)	2
Deferred taxation	340	-
	32	2

The taxation charge on the profit for the year has been based on a United Kingdom corporation tax rate of 33% (1995: 33%).

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

NOTES TO THE ACCOUNTS

5 FINANCE LEASE RECEIVABLES

	1996 £000	1995 £000
Future rentals	443,003	-
Less:		
Income allocated to future periods	(429,031)	-
	<u>13,972</u>	<u>-</u>

6 AMOUNTS OWED BY GROUP COMPANIES

	1996 £000	1995 £000
Group relief receivable	308	-
Interest receivable	1	-
	<u>309</u>	<u>-</u>

7 CALLED UP SHARE CAPITAL

	1996 £000	1995 £000
Authorised, allotted and issued fully paid:		
Ordinary shares of £1 each	<u>10</u>	<u>10</u>

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member. Lloyds Bank Plc is the parent company of the smallest such group of companies. Lloyds TSB Group plc is registered in Scotland and Lloyds Bank Plc is registered in England and Wales. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.

8 PROFIT AND LOSS ACCOUNT

	£000
At 1 January 1996	7
Deficit for the year	(6)
	<u>1</u>
At 31 December 1996	<u>1</u>

LLOYDS PROPERTY INVESTMENT COMPANY NO. 2 LIMITED

NOTES TO THE ACCOUNTS

9 DEFERRED TAXATION

	£000
At 1 January 1996	-
Charge for the year	340
	<hr/>
At 31 December 1996	340
	<hr/>

The balance at 31 December 1996 and 1 January 1996 represent the full provision in respect of the potential liability of the company to taxation on short-term timing differences.

10 AMOUNTS OWED TO GROUP COMPANIES

	1996 £000	1995 £000
Amounts falling due within one year:		
Bank overdraft	907	-
Sums due to fellow subsidiary companies	13,664	81
Group relief payable	2	2
Interest payable	286	-
Interim dividend	70	-
	<hr/>	<hr/>
	14,929	83
	<hr/>	<hr/>

11 CAPITAL AND OTHER COMMITMENTS

Future expenditure on the acquisition of assets for leasing authorised by the directors and not provided for in these accounts comprises:

	1996 £000	1995 £000
Contracts	64,776	-

The company in the course of its business enters into interest rate swap contracts. The underlying principal amount of these contracts and the replacement cost obtained by marking to market are:

	1996 £000	1995 £000
Underlying principal amount	15,829	-
Replacement cost	5,072	-

12 CONTINGENT LIABILITY

The provisions of the Finance Bill (yet to be enacted in its final form) may cause the company to pay additional tax. In this event, these amounts would be recoverable from lessees by means of tax variation clauses.

13 DATE OF APPROVAL

The directors approved the accounts on 11 March 1997.