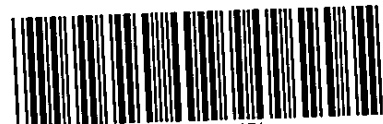


Company Registration No 05233507 (England and Wales)

**LLOYDS CHAMBERS PROPERTY LIMITED**  
**ABBREVIATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 MAY 2010**

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# LLOYDS CHAMBERS PROPERTY LIMITED

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# LLOYDS CHAMBERS PROPERTY LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 MAY 2010

The director presents her report and financial statements for the year ended 31 May 2010

#### Principal activities, review of the business, and principal risks and uncertainties

The principal activity of the company continued to be that of the letting of its investment property

The investment property owned by the company is included in the financial statements at a director's valuation of £95,860,000 as at 31 May 2010. The estimated open market value of the investment property has fallen by £7,790,000 from its valuation as at 31 May 2009. This fall in value is due to the prevailing economic conditions in the commercial property sector. There were no additions or disposals of investment properties during the year.

The investment property is let at a rent of £7,100,000 per annum under a lease agreement that expires on 24 June 2018. Rent reviews are scheduled every five years, with the next rent review falling due on 24 June 2013.

The key financial highlights are as follows

	2010 £	2009 £	2008 £
Rent receivable	7,100,000	7,100,000	7,100,000
Value of investment property	95,860,000	103,650,000	103,650,000
Net assets	1,134,546	8,905,269	8,939,496

The company's principal financial instrument is a loan from Brecon Properties UK Limited, an intermediate parent company. The purpose of this loan continues to be that of funding the investment in the company's investment property. The loan from Brecon Properties UK Limited is itself financed by a commercial bank loan that falls due for repayment in full in October 2011. The third party bank loan is secured over the assets of the company, including a mortgage over the investment property. There is a significant liquidity risk to the company, if Brecon Properties UK Limited were unable to extend or refinance the bank loan. In order to mitigate this risk, the company is undertaking negotiations to extend or refinance the underlying bank loan. The likelihood of success in these negotiations remains uncertain.

The director uses the following key financial indicators to measure performance

	2010	2009
(Decrease) / increase in net assets	(87)%	(-)%
Ratio of all underlying third party loans to property value	106 %	98 %
Ratio of underlying third party bank loan to property value	94 %	88 %
Interest cover on third party bank loan over rental income	124 %	122 %

The results for the year and the financial position at the year end were considered less than satisfactory by the director. There is no indication of an improvement in the values of commercial properties for the foreseeable future. Significant uncertainty remains over the company's ability to continue its operations beyond October 2011, if the underlying third party bank loan cannot be extended or refinanced.

#### Results and dividends

The results for the year are set out on page 6

The director does not recommend payment of an ordinary dividend

#### Market value of land and buildings

In the opinion of the director the market value of land and buildings does not exceed the current net book value

# **LLOYDS CHAMBERS PROPERTY LIMITED**

## **DIRECTOR'S REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 MAY 2010**

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### **Director**

The following director has held office since 1 June 2009

A Rocca

### **Financial instruments**

#### Treasury operations and financial instruments

It is the company's policy that no trading in financial instruments shall be undertaken. The company only enters into derivatives contracts as part of its risk mitigation strategy.

The company is exposed to loan finance liquidity risks, cashflow liquidity risks, interest rate risks, tenant credit risks, and property market value risks.

The company's approach to mitigation of risks is as follows:

#### Liquidity risk - loan finance and cashflow

The risk with regard to the company's long term borrowing requirements is explained on page 1. The company manages its cashflow requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the businesses.

#### Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

#### Credit risk - rent from tenant

The risk is mitigated by the company only taking on a reputable tenant (after completing the necessary due diligence) under an appropriate lease agreement. The company employs reputable managing agents to ensure that the collection of rent takes place promptly on the quarter days.

#### Market value risk - investment property

The value of the company's investment property is determined by economic forces outside the company's control. A reduction in the market value of the investment property could give rise to a risk of default on the final maturity of the underlying third party bank loan, and it could preclude the company from extending or refinancing the group loan.

### **Auditors**

In accordance with the company's articles, a resolution proposing that Harris & Trotter LLP be reappointed as auditors of the company will be put at a General Meeting.

# LLOYDS CHAMBERS PROPERTY LIMITED

## DIRECTOR'S REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MAY 2010**

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### **Statement of director's responsibilities**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable her to ensure that the financial statements comply with the Companies Act 2006. She is 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.

### **Statement of disclosure to auditors**

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that she ought to have taken as director in order to make herself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



A Rocca

**Director**

24 January 2011

# **LLOYDS CHAMBERS PROPERTY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO LLOYDS CHAMBERS PROPERTY LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006**

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We have examined the abbreviated accounts set out on pages 6 to 16, together with the financial statements of Lloyds Chambers Property Limited for the year ended 31 May 2010 prepared under section 396 of the Companies Act 2006

This report is made solely to the company, in accordance with Chapter 10 of Part 15 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the director and auditors**

The director is responsible for preparing the abbreviated accounts in accordance with section 445 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

### **Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 445(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.

### **Other information**

On 24 January 2011 we reported, as auditors of Lloyds Chambers Property Limited, to the members on the financial statements prepared under section 396 of the Companies Act 2006 for the year ended 31 May 2010, and our report included the following paragraph:

# **LLOYDS CHAMBERS PROPERTY LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO LLOYDS CHAMBERS PROPERTY LIMITED (CONTINUED)**

### **UNDER SECTION 449 OF THE COMPANIES ACT 2006**

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#### **Going concern**

"In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's group loan facility. In carrying out our procedures it has come to our attention that

- the balance sheet total of creditors includes an intercompany loan from an intermediate parent company of £93,833,066. This group loan is itself largely financed by a commercial bank loan that falls due for repayment in full in October 2011. The capital outstanding on the bank loan as at 31 May 2010 was £90,288,392. The company would be unable to repay the group loan without disposing of its investment property. As at the date of this report the group has been unable to extend or refinance the underlying bank loan.

On the basis of the above, there is some uncertainty over the ability of the company to continue as a going concern after October 2011. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect."

**Neville Newman (Senior Statutory Auditor)**  
**for and on behalf of Harris & Trotter LLP**

24 January 2011

**Chartered Accountants**  
**Statutory Auditor**

65 New Cavendish Street  
London W1G 7LS  
Great Britain

# LLOYDS CHAMBERS PROPERTY LIMITED

## ABBREVIATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2010

	Notes	2010 £	2009 £
Turnover		7,100,000	7,124,483
Administrative expenses		(307,497)	(367,295)
<b>Operating profit</b>	<b>2</b>	<b>6,792,503</b>	<b>6,757,188</b>
Other interest receivable and similar income		982	15,309
Interest payable and similar charges	<b>4</b>	(6,774,208)	(6,806,724)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>19,277</b>	<b>(34,227)</b>
Tax on profit/(loss) on ordinary activities	<b>5</b>	-	-
<b>Profit/(loss) for the year</b>	<b>11</b>	<b>19,277</b>	<b>(34,227)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations



# **LLOYDS CHAMBERS PROPERTY LIMITED**

## **ABBREVIATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MAY 2010**

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	<b>Notes</b>	<b>2010 £</b>	<b>2009 £</b>
<b>Profit/(loss) for the financial year</b>		19,277	(34,227)
Unrealised deficit on revaluation of properties		(7,790,000)	-
<b>Total recognised gains and losses relating to the year</b>		(7,770,723)	(34,227)

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# LLOYDS CHAMBERS PROPERTY LIMITED

## ABBREVIATED BALANCE SHEET

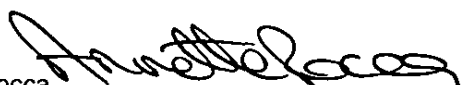
AS AT 31 MAY 2010

	Notes	2010 £	£	2009 £	£
<b>Fixed assets</b>					
Tangible assets	6	95,860,000		103,650,000	
<b>Current assets</b>					
Debtors	7	147,571		254,230	
Creditors amounts falling due within one year	8	(2,091,571)		(2,110,078)	
<b>Net current liabilities</b>		(1,944,000)		(1,855,848)	
<b>Total assets less current liabilities</b>		93,916,000		101,794,152	
<b>Creditors amounts falling due after more than one year</b>	9	(92,781,454)		(92,888,883)	
		1,134,546		8,905,269	
<b>Capital and reserves</b>					
Called up share capital	10		2		2
Revaluation reserve	11	1,016,884		8,806,884	
Profit and loss account	11	117,660		98,383	
<b>Shareholders' funds</b>	12	1,134,546		8,905,269	

These abbreviated accounts have been prepared in accordance with the special provisions in section 445(3) of the Companies Act 2006 relating to medium-sized companies

Approved by the Board and authorised for issue on 24 January 2011

A Rocca  
Director



Company Registration No 05233507

# LLOYDS CHAMBERS PROPERTY LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2010

	£	2010 £	£	2009 £
<b>Net cash inflow from operating activities</b>		6,816,543		6,916,912
<b>Returns on investments and servicing of finance</b>				
Interest received	982		15,309	
Interest paid	(6,774,208)		(6,806,724)	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(6,773,226)		(6,791,415)
<b>Net cash inflow before management of liquid resources and financing</b>		43,317		125,497
<b>Financing</b>				
Repayment of group long term loans	(43,317)		(125,497)	
<b>Decrease in debt</b>	(43,317)		(125,497)	
<b>Net cash outflow from financing</b>		(43,317)		(125,497)
<b>Decrease in cash in the year</b>		-		-

# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2010

1	Reconciliation of operating profit to net cash inflow from operating activities			2010	2009
				£	£
	Operating profit			6,792,503	6,757,188
	Decrease in debtors			106,659	106,660
	(Decrease)/Increase in creditors within one year			(82,619)	53,064
	Net cash inflow from operating activities			6,816,543	6,916,912
2	Analysis of net debt	1 June 2009	Cash flow	Other non-cash changes	31 May 2010
		£	£	£	£
	Debt				
	Debts falling due within one year	(987,500)	(64,112)	-	(1,051,612)
	Debts falling due after one year	(92,888,883)	107,429	-	(92,781,454)
	Net debt	(93,876,383)	43,317	-	(93,833,066)
3	Reconciliation of net cash flow to movement in net debt			2010	2009
				£	£
	Decrease in cash in the year			-	-
	Cash outflow from decrease in debt			43,317	125,497
	Movement in net debt in the year			43,317	125,497
	Opening net debt			(93,876,383)	(94,001,880)
	Closing net debt			(93,833,066)	(93,876,383)

# **LLOYDS CHAMBERS PROPERTY LIMITED**

## **NOTES TO THE ABBREVIATED ACCOUNTS**

**FOR THE YEAR ENDED 31 MAY 2010**

---

### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

The financial statements have been prepared on a going concern basis. The ability of the company to continue as a going concern is reliant upon the continued availability of external loan financing. The company's investment activity is supported by a group loan provided by an intermediate parent company, Brecon Properties UK Limited. This group loan is itself financed by a commercial bank loan that falls due for repayment in full in October 2011. The company would be unable to repay the group loan without disposing of its investment property. The third party bank loan is secured over the assets of the company, including a mortgage over the investment property. The group companies are undertaking negotiations in order to extend or refinance the bank loan, so as to maintain the company's long term borrowing requirements. The likely outcome of such negotiations remains uncertain. On the basis of the above there is significant uncertainty over the company's ability to continue as a going concern beyond October 2011.

In the financial statements, the investment property has been revalued by the director to its estimated open market value as at 31 May 2010. The financial statements do not contain any other adjustments that could result from the company's inability to continue as a going concern.

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

#### **1.3 Turnover**

Turnover represents amounts receivable from the letting of investment property.

#### **1.4 Tangible fixed assets and depreciation**

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the director compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

#### **1.5 Deferred taxation**

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

No Provision has been made for deferred tax on the unrealised gains arising from the revaluation of the investment property as this gain is unlikely to crystallise.

# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

<b>2</b>	<b>Operating profit</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Operating profit is stated after charging		
	Auditors' remuneration (including expenses and benefits in kind)	5,000	5,000
		<u>5,000</u>	<u>5,000</u>
<b>3</b>	<b>Investment income</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Bank interest	982	15,309
		<u>982</u>	<u>15,309</u>
<b>4</b>	<b>Interest payable</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	On amounts payable to group companies	6,774,208	6,806,724
		<u>6,774,208</u>	<u>6,806,724</u>
<b>5</b>	<b>Taxation</b>	<b>2010</b>	<b>2009</b>
	<b>Total current tax</b>	<b>-</b>	<b>-</b>
		<u>-</u>	<u>-</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit/(loss) on ordinary activities before taxation	19,277	(34,227)
		<u>19,277</u>	<u>(34,227)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2009 - 28.00%)	5,398	(9,584)
		<u>5,398</u>	<u>(9,584)</u>
	Effects of		
	Tax losses utilised	(5,398)	-
	Other tax adjustments	-	9,584
		<u>(5,398)</u>	<u>9,584</u>
	<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>
		<u>-</u>	<u>-</u>

The company has estimated non-trade deficits of £ 25,930 (2009 - £ 45,207) available for carry forward against future profits

# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

### 6 Tangible fixed assets

	Investment properties £
<b>Cost or valuation</b>	
At 1 June 2009	103,650,000
Revaluation	(7,790,000)
	<u>95,860,000</u>
At 31 May 2010	95,860,000
<b>Net book value</b>	
At 31 May 2010	95,860,000
	<u>103,650,000</u>
At 31 May 2009	<u>103,650,000</u>

The investment property is included in these financial statements at a Director's valuation of its open market value as at 31 May 2010. The valuation is based on the estimated rent yield of similar properties, and has been provided to the company by independent property advisors. No depreciation is provided in respect of this property.

On a historical cost basis the investment property would have been included at an original cost of £ 94,843,116 (2009 £ 94,843,116).

No provision for deferred taxation has been made in respect of the property held as an investment, which is included in these financial statements at a valuation of £ 95,860,000 (2009 £ 103,650,000). It is estimated that if this property were to be sold at that valuation, the tax liability would amount to £ Nil (2009 £ Nil).

The investment property is a freehold property.

7 Debtors	2010 £	2009 £
Other debtors	2	2
Prepayments and accrued income	147,569	254,228
	<u>147,571</u>	<u>254,230</u>

Amounts falling due after more than one year and included in the debtors above are

	2010 £	2009 £
Prepayments	40,910	147,569

# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

8	Creditors amounts falling due within one year	2010 £	2009 £
	Trade creditors	5,380	6,034
	Amounts owed to group undertakings	1,051,612	987,500
	Director's current accounts	101,689	30,355
	Accruals and deferred income	932,890	1,086,189
		<u>2,091,571</u>	<u>2,110,078</u>
	Debt due in one year or less	<u>1,051,612</u>	<u>987,500</u>
9	Creditors amounts falling due after more than one year	2010 £	2009 £
	Amounts owed to group undertakings	<u>92,781,454</u>	<u>92,888,883</u>
	<b>Analysis of loans</b>		
	Wholly repayable within five years	93,833,066	93,876,383
	Included in current liabilities	<u>(1,051,612)</u>	<u>(987,500)</u>
		<u>92,781,454</u>	<u>92,888,883</u>
	<b>Loan maturity analysis</b>		
	In more than one year but not more than two years	92,781,454	1,051,612
	In more than two years but not more than five years	<u>-</u>	<u>91,837,271</u>

Amounts owed to group undertakings represent an intercompany loan from an intermediate parent company, Brecon Properties UK Limited. This group loan is itself largely financed by a commercial bank loan to that parent company. The capital balance outstanding at the year end on the underlying bank loan is £90,288,392 (2009 £91,275,892). The underlying commercial bank loan, and hence the majority of the group loan, will fall due for repayment in full in October 2011.

The commercial bank loan to Brecon Properties UK Limited is secured by a fixed and floating charge over the assets of Lloyds Chambers Property Limited, including a specific charge over the company's investment property. Further security is provided by cross guarantees and charges over the assets of other group undertakings.

The effective rate of interest on the group loan is 7.22% (2009 7.25%).



# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2010

<b>10 Share capital</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
100 Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
2 Ordinary shares of £1 each	2	2
	<u>          </u>	<u>          </u>
 <b>11 Statement of movements on reserves</b>		
	<b>Revaluation reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
Balance at 1 June 2009	8,806,884	98,383
Profit for the year	-	19,277
Revaluation during the year	(7,790,000)	-
	<u>          </u>	<u>          </u>
Balance at 31 May 2010	1,016,884	117,660
	<u>          </u>	<u>          </u>
The amounts included in the revaluation reserve are wholly in respect of the investment property		
 <b>12 Reconciliation of movements in shareholders' funds</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) for the financial year	19,277	(34,227)
Other recognised gains and losses	(7,790,000)	-
	<u>          </u>	<u>          </u>
Net depletion in shareholders' funds	(7,770,723)	(34,227)
Opening shareholders' funds	8,905,269	8,939,496
	<u>          </u>	<u>          </u>
Closing shareholders' funds	1,134,546	8,905,269
	<u>          </u>	<u>          </u>
 <b>13 Director's remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	150,022	180,000
	<u>          </u>	<u>          </u>

# LLOYDS CHAMBERS PROPERTY LIMITED

## NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2010

### 14 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	2010 Number	2009 Number
Directors	1	1

#### Employment costs

	2010 £	2009 £
Wages and salaries	150,022	180,000

### 15 Ultimate parent company

The ultimate parent company is Brecon Properties Limited, a company registered in the Isle of Man

### 16 Related party relationships and transactions

As at the balance sheet date, £ 93,833,066 (2009 £ 93,876,383) was owed by the company to Brecon Properties UK Limited, an intermediate parent company related by virtue of A Rocca being a director in common. During the year Brecon Properties UK Limited charged interest of £ 6,774,208 (2009 £ 6,806,724) on the above group loan.