

Lloyds Commercial Property Investments Limited

Annual report and accounts for the year ended 31 December 2015

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

02045985

Current directors

M R Lickley

Company Secretary

M A A Johnson

Member of Lloyds Banking Group

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Directors' report

For the year ended 31 December 2015

The directors present their report and the audited financial statements of Lloyds Commercial Property Investments Limited ("the Company") for the year ended 31 December 2015.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 02045985).

The principal activities of the Company are property leasing, subsequent subletting and management of property to fellow group companies and third parties.

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group").

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 17 to the financial statements.

Key performance indicators ("KPIs")

The directors are of the opinion that the information presented in the financial statements provides the management information necessary for the directors to understand the development, performance and position of the business of the Company, and therefore no additional KPIs are presented.

Future outlook

No changes in the nature or scale of the Company's activities are expected in the foreseeable future.

Dividends

No dividends were paid or proposed during the year ended 31 December 2015 (2014: £nil).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

The current directors of the Company are shown on the front cover.

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

B E K Horrell	(resigned 1 April 2015)
M R Lickley	(appointed 16 April 2015)
I J Lloyd	(resigned 8 March 2016)

Company Secretary

The following changes have taken place during the year or since the year end:

P Gittins	(resigned 25 May 2016)
M A A Johnson	(appointed 25 May 2016)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and 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 prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are 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 directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. 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.

Disclosure of information to auditors

Each director in office at the date 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
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Approved by the board of directors and signed on its behalf by:



M R Lickley
Director

29 June 2016

Independent auditors' report to the member of Lloyds Commercial Property Investments Limited

Report on the financial statements

Our opinion

In our opinion, Lloyds Commercial Property Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and accounts (the "Annual Report") comprise:

- the Balance sheet as at 31 December 2015;
- the Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- ~~the Statement of changes in equity for the year then ended; and~~
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the member of Lloyds Commercial Property Investments Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Joanne Leeson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

29 June 2016

Statement of comprehensive income

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Property income	3	5,576	5,532
Operating costs	4	(4,884)	(9,272)
Investment property gains		-	116
Operating profit/(loss)		692	(3,624)
Interest income		61	65
Finance income		10	-
Profit/(loss) before tax		763	(3,559)
Taxation	7	(155)	790
Profit/(loss) for the year attributable to owners of the parent, being total comprehensive income/(expense)		608	(2,769)

The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

As at 31 December 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Cash and cash equivalents	8	12,970	11,702
Other current assets	9	1,138	2,022
Asset held for sale	10	-	930
Investment property	10	1,040	1,040
Current tax asset		606	-
<hr/>			
Total assets		15,754	15,694
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LIABILITIES			
Borrowed funds	11	121	74
Other current liabilities	12	5,313	5,844
Provision for liabilities and charges	13	4,717	4,727
Current tax liability		-	54
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Total liabilities		10,151	10,699
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EQUITY			
Share capital	14	-	-
Retained earnings		5,603	4,995
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Total equity		5,603	4,995
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Total equity and liabilities		15,754	15,694

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the board of directors and were signed on its behalf by:



M R Lickley
Director

29 June 2016

Statement of changes in equity

For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2014	-	7,764	7,764
Loss for the year being total comprehensive expense	-	(2,769)	(2,769)
At 31 December 2014	-	4,995	4,995
Profit for the year being total comprehensive income	-	608	608
At 31 December 2015	-	5,603	5,603

The accompanying notes to the financial statements are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows generated from operating activities		
Profit/(loss) before tax	763	(3,559)
Adjustments for:		
- Finance income	(10)	-
- Increase in Provision for liabilities and charges	-	4,727
- Valuation gains on Investment property and Asset held for sale	-	(116)
Changes in operating assets and liabilities:		
- Net decrease/(increase) in Other current assets	884	(45)
- Net decrease in Other current liabilities	(531)	(494)
- Disposal of Asset held for sale	930	-
Cash generated from operations	2,036	513
Group relief paid	(815)	-
Net cash generated from operating activities	1,221	513
Cash flows generated from/(used in) financing activities		
Proceeds from/(repayment of) borrowings with group undertakings	47	(3,967)
Net cash generated from/(used in) financing activities	47	(3,967)
Change in cash and cash equivalents	1,268	(3,454)
Cash and cash equivalents at beginning of year	11,702	15,156
Cash and cash equivalents at end of year	12,970	11,702

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

- Annual improvement to IFRSs (issued December 2013). A collection of amendments to IFRSs from the 2011 - 13 cycle of the annual improvements projects.

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2015 and which have not been applied in preparing these financial statements are given in note 21. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention, with the exception of investment property which is held at fair value.

1.2 Income recognition

Property income

Property income arising on operating leases is recognised on a straight line basis over the life of a lease. The costs of incentives are recognised as a reduction of total income over the term of the lease on a straight line basis.

Income from financial assets

Interest income is recognised in the Statement of comprehensive income for all interest bearing financial instruments using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income to a period of account. The effective interest rate is the rate that 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Lease classification

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

1.3 Expenses recognition

Operating lease rentals are charged to the Statement of comprehensive income on a straight line basis over the life of a lease.

All other operating expenses are recognised in the Statement of comprehensive income on an accruals basis.

Notes to the financial statements (continued)

For the year ended 31 December 2015

1. Accounting policies (continued)

1.4 Financial assets and liabilities

Financial assets comprise Prepayments, Other debtors and Cash and cash equivalents. Financial liabilities comprise Borrowed funds and Other current liabilities.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

1.5 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.6 Taxation

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise.

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Tax on the profit or loss for the year is recognised in the Statement of comprehensive income within Taxation and comprises only current tax. No provision for deferred tax is required under IAS 12 "Income Taxes" as no timing differences have arisen which would result in deferred tax on assets and liabilities.

Current tax is the expected tax receivable on the taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, together with adjustments to estimates in prior years.

1.7 Investment property and Asset held for sale

Investment property comprises long leasehold land and buildings that are held either to earn rental income or for capital appreciation or both. The Company's Investment property primarily relates to property held for long term rental yields and capital appreciation. It is initially recognised at cost and is fair valued annually. Rental income from Investment property is recognised on a straight line basis over the term of the lease and any gains or losses arising from a change in the fair value are recognised in the Statement of comprehensive income in the period that they occur.

Fair value of Investment property

Investment property is carried in the Balance sheet at fair value, being the current prices in an active market for similar lease and other contracts. In the absence of such information, the Company uses alternative valuation methods such as:

- Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- Recent prices of similar properties in less active markets, with adjustments, to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

These valuations are reviewed at least annually by an independent valuation expert.

When an Investment property is listed on an active market it is recognised as an Asset held for sale in the Balance sheet.

1.8 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Provisions

The Company holds a Vacant property provision in relation to costs where the Company is committed to leasehold payments on Colmore Row, a property that the Company currently rents from a third party, that it has either been unable to sublet, or only been able to sublet at a loss. The provision has been estimated based on known lease costs and likely estimated periods of vacancy. These estimates are reviewed annually in light of actual experience

3. Property income

	2015 £'000	2014 £'000
Rental and other property related income	5,576	5,532

4. Operating costs

	2015 £'000	2014 £'000
Operating lease rentals	4,461	4,164
Vacant property provision charge (see note 13)	-	4,727
Property insurance	76	81
Maintenance costs	341	294
Fees payable to the Company's auditors for the audit of the financial statements	6	6
Other expenses	-	-
	4,884	9,272

Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2014: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2014: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 16).

7. Taxation

	2015 £'000	2014 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax:		
- Current tax on taxable profit/(loss) for the year	155	(790)

Corporation tax is calculated at a rate of 20.25% (2014: 21.50%) of the taxable profit for the year.

Notes to the financial statements (continued)

For the year ended 31 December 2015

7. Taxation (continued)

b) Factors affecting the tax charge/(credit) for the year

Where taxation on the Company's profit/(loss) for the year differs from the taxation charge/(credit) that would arise using the standard rate of corporation tax of 20.25% (2014: 21.50%), the differences are explained below:

	2015 £'000	2014 £'000
Profit/(loss) before tax	763	(3,559)
Tax charge/(credit) thereon at UK corporation tax rate of 20.25% (2014: 21.50%)	155	(765)
Factors affecting charge/(credit):		
- Non-allowable and non-taxable items	-	(25)
Tax charge/(credit) on profit/(loss) on ordinary activities	155	(790)
Effective rate	20.25%	22.20%

The Finance Act 2013 which was substantively enacted on 2 July 2013 reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

On 16 March 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be 17%. The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for, during 2016.

8. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	2015 £'000	2014 £'000
Cash at bank	1,954	1,128
Short term interest bearing deposits	11,016	10,574
	12,970	11,702

9. Other current assets

	2015 £'000	2014 £'000
Prepayments	1,130	1,093
Other debtors	8	929
	1,138	2,022

Notes to the financial statements (continued)

For the year ended 31 December 2015

10. Investment property and Asset held for sale

	2015 £'000	2014 £'000
Balance at 1 January	1,970	1,854
Disposal	(930)	-
Fair value adjustment	-	116
Balance at 31 December	1,040	1,970
Comprised:		
Asset held for sale	-	930
Investment property	1,040	1,040

The Company holds the long leasehold for one domestic property as Investment property.

In 2015 a valuation was obtained by a registered independent appraiser having an appropriate qualification and recent experience in the location and category of the property being valued. The key assumption applied in determining the fair value of the property is the market yield. The fair value of the Investment property as at 31 December 2015 is £1,040,000 (2014: £1,970,000 Investment property and Asset held for sale).

In addition, the following amounts have been recognised in the Statement of comprehensive income in respect of Investment property:

	2015 Total £'000	2014 Total £'000
Fair valuation gains on Investment property	-	116

11. Borrowed funds

	2015 £'000	2014 £'000
Amounts due to group undertakings (see note 16)	121	74

Amounts due to group undertakings is non-interest bearing, unsecured and repayable on demand, although there is no expectation that such a demand would be made.

12. Other current liabilities

	2015 £'000	2014 £'000
Other tax	1	16
Accruals and deferred income	5,312	5,828
	5,313	5,844

Notes to the financial statements (continued)

For the year ended 31 December 2015

13. Provision for liabilities and charges

	Total £'000
At 1 January 2014	-
Charge for the year	4,727
At 31 December 2014	4,727
Discount unwind	59
Change in discount rate	(69)
At 31 December 2015	4,717

The Vacant property provision relates to costs where the Company is committed to leasehold payments on Colmore Row, a property that the Company currently rents from a third party, that it has either been unable to sublet, or only been able to sublet at a loss.

14. Share capital

	2015 £'000	2014 £'000
Allotted, issued and fully paid		
2 ordinary shares of £1 each	-	-

15. Operating lease commitments

Where the Company is the lessee the future minimum lease payments under non-cancellable building operating leases are as follows:

	2015 £'000	2014 £'000
Due within one year	4,164	4,164
Due between one and five years	16,656	16,656
Due after five years	20,820	24,984
	41,640	45,804

The future minimum sublease payments expected to be received under non-cancellable subleases with third parties at the balance sheet date are as follows:

	2015 £'000	2014 £'000
Due within one year	69	1,171
Due between one and five years	275	275
	344	1,446

16. Related party transactions

The Company is controlled by Lloyds Commercial Properties Limited. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related income for the year are set out below.

Notes to the financial statements (continued)

For the year ended 31 December 2015

16. Related party transactions (continued)

	2015 £'000	2014 £'000
Amounts due to group undertakings		
Lloyds Bank plc (see note 11)	121	74
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc (see note 8)	12,970	11,702

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Rental and other property related income of £5,576,000 (2014: £5,532,000) includes amounts received from Lloyds Bank plc of £3,630,000 (2014: £3,630,000). Other debtors of £8,000 (2014: £929,000) also include amounts due from Lloyds Bank plc of £8,000 (2014: £907,000).

Accruals and deferred income of £5,312,000 (2014: £5,828,000) includes amounts due to Lloyds Bank plc of £907,000 (2014: £907,000).

A portion of the Cash and cash equivalents amount noted above relates to interest bearing term deposits placed with Lloyds Bank plc as noted in note 8. These deposits generated Interest income of £61,000 (2014: £65,000).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

UK Government

In January 2009, the UK government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. HM Treasury's interest fell below 20% on 11 May 2015. As a consequence, HM Treasury is no longer considered to have a significant influence and ceased to be a related party of the Company for IAS 24 Related Party Disclosures purposes at that date.

17. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, and business risk; it is not exposed to any significant interest rate risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the ultimate parent, Lloyds Banking Group plc. Market risk is managed by the Company through the terms negotiated in commercial agreements and by management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

17.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

Credit concentration

The maximum credit exposure of the Company in the event of other parties failing their obligation is considered to be the carrying amount of Cash and cash equivalents and Other debtors totalling £12,978,000 (2014: £12,631,000). The Company's financial assets have no amounts past due or impaired (2014: £nil), and are considered to be of high credit quality.

Notes to the financial statements (continued)

For the year ended 31 December 2015

17. Financial risk management (continued)

17.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. The table below sets out the cash flows payable by the Company in respect of Borrowed funds and Other current liabilities at the Balance sheet date. The Company's liabilities are non-interest bearing.

As at 31 December 2015

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Borrowed funds	121	-	-	-	121
Other current liabilities	-	1,122	-	-	1,122
	121	1,122	-	-	1,243

As at 31 December 2014

	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Borrowed funds	74	-	-	-	74
Other current liabilities	-	1,233	-	-	1,233
	74	1,233	-	-	1,307

17.3 Market risk

Market risk is the risk of financial loss due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The Company has transferred its exposure to changes in interest rates to Lloyds Bank plc and does not retain any significant exposure in relation to interest rate risk. Accordingly, no quantitative analysis of the risk is presented. The Company has no material exposure to currency and other price risks.

17.4 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

17.5 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

17.6 Fair values of financial assets and 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.

The fair value of Investment property is considered to be level 2 in the valuation hierarchy as the fair value is estimated based on observable market prices and market yields for similar properties. The valuation was conducted by a registered independent appraiser having an appropriate qualification and recent experience in the location and category of the property being valued.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

Notes to the financial statements (continued)

For the year ended 31 December 2015

18. Capital disclosures

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 shareholders 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 advises the board of directors to consider making 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 board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

19. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2014: £nil).

20. Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements.

21. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2015 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued September 2014)	A collection of amendments to IFRSs from the 2012 - 2014 cycle of the annual improvements projects.	Annual periods beginning on or after 1 January 2016
Annual improvement to IFRSs (issued December 2013)	A collection of amendments to IFRSs from the 2010 - 12 cycle of the annual improvements projects.	Annual periods beginning on or after 1 February 2015
Amendments to IAS 1 'Disclosure Initiative'	The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.	Annual periods beginning on or after 1 January 2016

Notes to the financial statements (continued)

For the year ended 31 December 2015

21. Future developments (continued)

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments' ¹	Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised costs, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018

1. At the date of this report, this pronouncement was awaiting EU endorsement.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements.

22. Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Commercial Properties Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.