

TARGET CORPORATE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2007

Registered number

2156636

Registered office

25 Gresham Street
London EC2V 7HN

Directors

H D C Stebbing

N Waring

Company secretary

S J Hopkins

SATURDAY



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28/06/2008

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COMPANIES HOUSE

Member of Lloyds TSB Group

REPORT OF THE DIRECTORS

Business review and principal activities

The principal activities of the company are property management and the provision of property-related services to subsidiary undertakings

The profit for the year after taxation amounted to £3,206,930 (2006 £3,110,128) as set out in the income statement on page 5

No dividend was paid or proposed during 2007 (2006 nil)

No changes in the nature or scale of activity are expected in the foreseeable future

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. Full disclosure of the company's financial risk management objectives and policies are given in note 5 to the 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

Directors

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

The following changes in directors have taken place since the year end

	Appointed	Resigned
A G Strang		4 February 2008
N Waring	17 April 2008	

Responsibilities of directors

The directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

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

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the United Kingdom 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

REPORT OF THE DIRECTORS (continued)

Policy and practice on payment of creditors

The company follows “The Better Payment Practice Code” published by the Department for Business, Enterprise and Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR Publications Orderline 0845 0150 010 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 2007, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2006 nil)

Auditors and audit information

Each person who was a director at the date of approval of this report confirms that, so far as the director is aware, there is no relevant audit information of which the company’s auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 section 234ZA of the Companies Act 1985.

On behalf of the board



H D C Stebbing
Director

20/01/2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF TARGET CORPORATE SERVICES LIMITED

We have audited the financial statements of Target Corporate Services Limited for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in 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 judgments 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 2007 and of its profit 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
Bristol*

24 June 2008

Income statement

for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	6	3,038,843	3,168,237
Administrative expenses	7	(632,974)	(1,326,065)
Operating profit		<u>2,405,869</u>	<u>1,842,172</u>
Interest income	8	2,249,754	1,650,114
Profit on disposal of non-current asset classified as held for sale		160,000	1,136,102
Loss on disposal of property, plant and equipment		-	(112,317)
Profit before tax		<u>4,815,623</u>	<u>4,516,071</u>
Taxation	9	(1,608,693)	(1,405,943)
Profit for the year		<u>3,206,930</u>	<u>3,110,128</u>

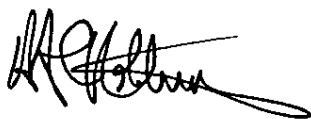
The results for the year arise wholly from continuing operations and are attributable to the equity shareholder

The accompanying notes are an integral part of the financial statements

Balance sheet
at 31 December 2007

	Note	2007 £	2006 £
Non-current assets			
Investment property	10	16,820,400	17,120,874
Property, plant and equipment	11	57,218	71,423
Investment in subsidiary	13	284,232	284,232
Deferred tax asset	14	256,508	386,958
		<u>17,418,358</u>	<u>17,863,487</u>
Current assets			
Cash and cash equivalents	12	41,607,791	37,912,266
Amounts owed by other group companies	13	32,135	-
Other current receivables	15	314,415	299,019
		<u>41,954,341</u>	<u>38,211,285</u>
Total assets		<u>59,372,699</u>	<u>56,074,772</u>
Current liabilities			
Amounts owed to other group companies	13	-	(34,471)
Other current payables	16	(733,695)	(732,055)
Current taxation		(1,477,797)	(992,554)
		<u>(2,211,492)</u>	<u>(1,759,080)</u>
Net current assets		<u>39,742,849</u>	<u>36,452,205</u>
Non-current liabilities			
Provision for vacant properties	17	(932,650)	(1,294,065)
		<u>(932,650)</u>	<u>(1,294,065)</u>
Net assets		<u>56,228,557</u>	<u>53,021,627</u>
Equity			
Share capital	18	61,000,002	61,000,002
Retained earnings		(4,771,445)	(7,978,375)
Total shareholder's equity		<u>56,228,557</u>	<u>53,021,627</u>

The financial statements on pages 5 to 21 were approved by the board on 20th June 2008 and signed on its behalf by



H D C Stebbing
Director

The accompanying notes are an integral part of the financial statements

Statement of changes in equity

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2006	61,000,002	(11,088,503)	49,911,499
Profit for the year	-	3,110,128	3,110,128
Balance at 31 December 2006 and 1 January 2007	61,000,002	(7,978,375)	53,021,627
Profit for the year	-	3,206,930	3,206,930
Balance at 31 December 2007	61,000,002	(4,771,445)	56,228,557

The accompanying notes are an integral part of the financial statements

Cash flow statement
for the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash provided by operating activities:			
Cash generated from operations	20	2,122,270	1,764,136
Current tax paid		(993,000)	(992,192)
Net cash generated from operating activities		<u>1,129,270</u>	<u>771,944</u>
Cash flows from investing activities:			
Purchases of fixed assets		-	(67,072)
Proceeds from sale of non-current assets classified as held for sale		160,000	1,440,035
Interest received		2,406,255	1,608,045
Net cash generated from investing activities		<u>2,566,255</u>	<u>2,981,008</u>
Net increase in cash and cash equivalents		3,695,525	3,752,952
Cash and cash equivalents at beginning of year		37,912,266	34,159,314
Cash and cash equivalents at end of year		<u>41,607,791</u>	<u>37,912,266</u>

There were no cash flows arising from or used in financing activities

The accompanying notes are an integral part of the financial statements

Notes to the financial statements (continued)

1. General information

Target Corporate Services Limited provides services to subsidiary undertakings and manages property. The company is incorporated and resident in England and Wales and its immediate parent company is Lloyds Commercial Properties Limited.

The company's ultimate parent company is Lloyds TSB Group plc, which is a limited liability company and is incorporated and resident 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 undertaking of the smallest such group of undertakings. Copies of the group accounts of both companies may be obtained from the company secretary's office, 25 Gresham Street, London, EC2V 7HN. Lloyds TSB Group plc has a primary listing on the London Stock Exchange, with a further listing in New York.

2. Accounting policies

These financial statements have been prepared using applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and in compliance with the requirements of the Companies Act 1985.

The financial information has been prepared under the historical cost convention.

These separate financial statements contain information about the company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under IAS 27 *Consolidated and Separate Financial Statements* and section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements. The company and its subsidiaries are included in the consolidated financial statements of the company's ultimate parent company. The company accounts for its investment in subsidiaries at cost less any provision for impairment where necessary.

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

- i. IFRS 7 'Financial Instruments: Disclosures'. This standard, which was effective from 1 January 2007, requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments. As a disclosure standard, the application of this new standard has not had any impact on amounts recognised in the financial statements. The IFRS 7 disclosures are set out in note 5. IFRS 7 supersedes IAS 30 'Disclosures in the Financial Statements of Banks and Similar Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments: Presentation'.
- ii. Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'. This standard, which was effective from 1 January 2007, requires additional disclosures of the objectives, policies and processes for managing capital and quantitative data about what the company regards as capital. These new capital disclosures are set out in note 4.

Details of those IFRS pronouncements which will be relevant to the company but which were not effective at 31 December 2007 and which have not been applied in preparing these financial statements are given in note 21.

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

a) Revenue recognition

Rental income and buildings service charges are recognised in the income statement on an accruals basis. Interest income is recognised in the income statement using the effective interest rate method.

Notes to the financial statements (continued)

2. Accounting policies (continued)

b) Leases

i) As lessee

Property leases where the company has substantially all the risks and rewards of ownership are classified as finance leases, all other leases are classified as operating leases. Finance leases are capitalised at the lease's commencement. Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

ii) As lessor

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all the risks and rewards of ownership to the lessee, all other leases are classified as operating leases.

Where assets are held subject to finance lease, the present value of the minimum lease payments is recognised as net investment in finance leases. Finance lease income is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment in finance leases.

Operating lease assets are included within fixed assets at cost and depreciated in line with other items of property, plant and equipment. Operating lease rental income is recognised on a straight-line basis over the period of the lease.

c) Taxation, including deferred taxation

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

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

d) Investment property

Property held for long-term rental yields and capital appreciation is classified as investment property. Investment property comprises freehold land and buildings and is carried in the balance sheet at cost less depreciation. The value of land is not depreciated.

Depreciation of buildings included in investment property is calculated using the straight-line method to allocate the difference between the cost and the residual value over the estimated useful life of 50 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The asset's fair value is reviewed, and adjusted if appropriate, at each balance sheet date. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises.

Notes to the financial statements (continued)

2. Accounting policies (continued)

f) Property, plant and equipment

Property, plant and equipment is included at cost less depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the difference between the cost and the residual value over their estimated useful lives, as follows

- Short leasehold property improvements the lease term
- Fixtures and fittings 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately.

Profit on sale of property, plant and equipment is taken to the income statement in the year in which the sale takes place.

g) Vacant property provisions

Provision is made where the company is committed to leasehold payments on properties that it has been unable to sublet.

h) Investment in subsidiaries

Investment in subsidiary undertaking is carried at cost, less any provisions for permanent diminution in value.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Critical accounting estimates and judgements

The company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year, most critically in respect of fair value of investment property and provision for losses arising on vacant property.

a) Determination of fair values – investment property

The fair value of investment property is disclosed in note 10. Fair values of investment properties are estimated by using valuation techniques which discount future cash flows using a yield percentage which reflects current market conditions.

b) Vacant property provision

Provision is made where the company is committed to leasehold payments on properties that it has been unable to sublet. Estimates are based on known lease costs and likely estimated periods of vacancy. These estimates are reviewed annually in light of actual experience. The provision for vacant properties is discounted at appropriate rates based on current market expectations. The discount rate used at 31 December 2007 was 5.03% (2006: 5.01%).

Notes to the financial statements (continued)

4. Capital management

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 services commensurately with the level of risk, and, indirectly, to support the Lloyds TSB Group's regulatory capital requirements

The company's parent company manages the company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board 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 of equity on page 7. The company received most of its funding requirements from its parent and does not raise funding externally

5. Financial risk management

The directors are responsible for establishing a framework for evaluating, measuring, monitoring and controlling risk. They are responsible for ensuring that the risks within the business are identified, assessed, monitored and controlled. These controls and procedures where relevant comply with Lloyds TSB Group policies and standards

a) Measurement basis of financial assets and liabilities

All assets and liabilities are held at amortised cost

b) Credit risk

The maximum credit risk exposure of the company in the event of other parties failing to fulfil their obligations is considered to be the carrying amount of current assets, cash at bank and amounts owed by group companies, totalling £41,954,341 (2006 £38,211,285). The company's financial assets have no amounts past due or impaired (2006 nil), and are considered to be of high credit quality

c) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due. The table below analyses the liabilities of the company on an undiscounted future cash flows basis according to contractual maturity, into relevant maturity groupings based upon the remaining period at the balance sheet date

At 31 December 2007	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Other current payables	-	733,695	-	-	-	733,695
Total financial liabilities	-	733,695	-	-	-	733,695
At 31 December 2006	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Over 5 years £	Total £
Amounts owed to other Group companies	34,471	-	-	-	-	34,471
Other current payables	-	732,055	-	-	-	732,055
Total financial liabilities	34,471	732,055	-	-	-	766,526

Notes to the financial statements (continued)

5. Financial Risk Management (continued)

d) Market risk

The company has transferred its exposure to changes in interest rates to Lloyds TSB Bank plc, the intermediate parent company, and does not retain any significant exposure in relation to those market risks transferred. Accordingly, no quantitative analysis of the risk is presented. The company has no material exposure to any other market risks.

e) Geographical and sector concentrations of risk

The company has one class of business, property management, which originates entirely in the UK. Accordingly, no analysis by business or geographic segment is provided.

6. Turnover

	2007 £	2006 £
Rental income	3,010,223	3,110,675
Buildings service charges	28,620	57,562
	<u>3,038,843</u>	<u>3,168,237</u>

7. Administrative expenses

	2007 £	2006 £
Premises costs	248,247	515,562
Operating lease rentals	397,471	420,692
Provision credit	(361,415)	-
Staff costs	12,000	12,000
Depreciation on investment property	300,475	300,475
Depreciation on property, plant and equipment	14,205	29,025
Professional fees	21,492	48,311
Other	499	-
	<u>632,974</u>	<u>1,326,065</u>

Statutory audit fees for the year included within professional fees	2,500	2,500
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The company had no employees in the current or preceding year. Staff costs as disclosed above are recharged to the company by another company in the Lloyds TSB Group.

Directors' emoluments

No remuneration was paid or is payable by the company to the directors (2006: nil). The directors are employed by other companies in the Lloyds TSB Group and consider that their services to this company are incidental to their other activities within the group.

Notes to the financial statements (continued)

8. Interest income

	2007 £	2006 £
Interest income	2,249,754	1,650,114

Interest income represents interest on cash deposits placed with Lloyds TSB Bank plc

9. Taxation

a) Analysis of charge for year

	2007 £	2006 £
UK corporation tax		
- current tax on profits for the year	1,378,420	992,554
- adjustments in respect of prior years	99,823	250,257
Current tax charge	1,478,243	1,242,811
Deferred tax		
- current year deferred tax charge	129,127	177,702
- adjustments in respect of prior years	1,323	(14,570)
Deferred tax charge (Note 14)	130,450	163,132
Total tax charge for the year	1,608,693	1,405,943

The charge for tax on the profit for the year is based on a UK corporation tax rate of 30 per cent (2006 30 per cent)

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below

	2007 £	2006 £
Profit before tax	4,815,623	4,516,071
Tax charge thereon at UK corporation tax rate of 30%	1,444,687	1,354,821
Factors affecting charge		
- Prior year adjustments	101,147	235,687
- Depreciation on assets not qualifying for capital allowances	92,135	98,850
- Non-taxable profits and losses on disposals covered by capital losses	(48,000)	(307,136)
- Rate change on deferred tax	18,321	-
- Non-deductible items	403	23,721
Tax on profit on ordinary activities	1,608,693	1,405,943
Effective rate	33%	31%

During the year, as a result of the change in the UK corporation tax rate from 30% to 28% with effect from 1 April 2008, deferred tax balances have been remeasured. Deferred tax expected to reverse in the year ended 31 December 2008 has been measured using the effective rate for the period of 28.5%

Notes to the financial statements (continued)

10. Investment property

	<u>£</u>
Cost:	
At 1 January 2006, 31 December 2006 and 31 December 2007	<u>23,048,694</u>
Accumulated depreciation:	
At 1 January 2006	(5,627,345)
Charge for the year	<u>(300,475)</u>
At 31 December 2006	(5,927,820)
Charge for the year	<u>(300,474)</u>
At 31 December 2007	<u>(6,228,294)</u>
Net book value:	
At 31 December 2007	<u>16,820,400</u>
At 31 December 2006	<u>17,120,874</u>

The fair value of the investment property as at 31 December 2007 is £30,600,000 (2006 £33,242,814). The fair value is stated on a value-in-use basis. The fair valuation has been performed by a professionally qualified valuer, who has recent experience in the location and categories of the investment property being valued. The valuer is employed by another company in the Lloyds TSB Group.

The cost of land included in investment property as at 31 December 2007 is £8,025,000 (2006 £8,025,000).

In addition, the following amounts have been recognised in the income statement:

	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
Rental income from investment property	2,880,000	2,880,000
Direct operating expenses arising from investment property that generates rental income	<u>(300,475)</u>	<u>(300,475)</u>

Notes to the financial statements (continued)

11. Property, plant and equipment

	Short leasehold property improvements	Fixtures and fittings	Total
	£	£	£
Cost:			
At 1 January 2006	144,119	27,670	171,789
Additions	59,328	7,744	67,072
Disposals	(124,385)	(24,023)	(148,408)
At 31 December 2006 and at 31 December 2007	79,062	11,391	90,453
Accumulated depreciation:			
At 1 January 2006	(23,172)	(2,924)	(26,096)
Charge for the year	(25,549)	(3,476)	(29,025)
Disposals	30,955	5,136	36,091
At 31 December 2006	(17,766)	(1,264)	(19,030)
Charge for the year	(13,067)	(1,138)	(14,205)
At 31 December 2007	(30,833)	(2,402)	(33,235)
Net book value:			
At 31 December 2007	48,229	8,989	57,218
At 31 December 2006	61,296	10,127	71,423

12. Cash and cash equivalents

Cash and cash equivalents represents £40,659,560 (2006 £37,153,304) of deposits at commercial interest rates and £948,231 (2006 £758,962) non-interest earning deposits placed with the company's immediate parent company and fellow subsidiaries. The fair values of cash and cash equivalents are equal to the carrying amounts.

13. Related party transactions

The company's immediate parent company is Lloyds Commercial Properties Limited. The company's ultimate parent company is Lloyds TSB Group plc. The company's related parties include the ultimate and immediate parent companies, other companies in the Lloyds TSB Group, pension schemes of the company's ultimate parent company 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.

Turnover arising from property rentals to Lloyds TSB Bank plc is £3,010,223 (2006 £3,110,675). Interest income from cash deposits placed with Lloyds TSB Bank plc is disclosed in note 8. Staff costs recharged by another company in the Lloyds TSB Group are disclosed in note 7.

a) Key management personnel

There were no transactions between the company or its subsidiary with key management personnel during the current or preceding year.

Key management personnel are employed by other companies in the Lloyds TSB Group and consider that their services to the company are incidental to their other activities within the Group.

Notes to the financial statements (continued)

13. Related party transactions (continued)

b) Investment in subsidiary

	£
At 31 December 2006 and 31 December 2007	284,232

The company's subsidiary, which has prepared accounts to 31 December and whose results are included in the consolidated accounts of the ultimate parent company, is

	Country of registration/ incorporation	Percentage of equity share capital and voting rights held	Nature of business
H S I S Services Limited	England	100%	Dormant

c) Amounts owed by/(to) group companies

	Parent companies £
At 1 January 2007	(34,471)
Interest receivable	2,233,462
Rents receivable	3,010,223
Service charges receivable	28,620
Premises costs payable	(679,709)
Net payments during year	(4,525,990)
At 31 December 2007	32,135
Represented by Lloyds TSB Bank plc	32,135
	Parent companies £
At 1 January 2006	64,566
Interest receivable	1,650,114
Rents receivable	3,110,675
Service charges receivable	57,562
Premises costs payable	(996,565)
Net payments during year	(3,920,823)
At 31 December 2006	(34,471)
Represented by Lloyds TSB Bank plc	(34,471)

Amounts owed to/by group companies represent amounts owed to/by Lloyds TSB Bank plc and are repayable on demand and non-interest bearing. The fair values of amounts owed to/by group companies are equal to their carrying amounts. No provisions have been recognised in respect of amounts owed by group companies.

Notes to the financial statements (continued)

14. Deferred taxation

The movement in the net deferred tax balance is as follows

	2007 £	2006 £
At 1 January	386,958	550,090
Charged to income statement	(130,450)	(163,132)
At 31 December	256,508	386,958

The deferred tax charge in the income statement comprises the following temporary differences

	2007 £	2006 £
Accelerated depreciation allowances	(3,372)	-
Movement on provision for vacant properties	(127,078)	(163,132)
At 31 December	(130,450)	(163,132)

Deferred tax assets are comprised as follows

Accelerated capital allowances	(4,634)	(1,262)
Other temporary differences	261,142	388,220
	256,508	386,958

Deferred tax assets are recognised for accelerated capital allowances and other temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets have not been recognised in respect of capital losses carried forward as there are no predicted future capital profits.

15. Other current receivables

	2007 £	2006 £
Prepayments	128,018	118,669
Accrued interest receivable	16,292	172,794
Other debtors	170,105	7,556
	314,415	299,019

Other current receivables are non-interest bearing. The fair values of other current receivables are equal to their carrying amounts.

16. Other current payables

	2007 £	2006 £
Accruals and deferred income	732,605	732,055
Other creditors	1,090	-
	733,695	732,055

Other current payables are non-interest bearing. The fair values of other current payables are equal to their carrying amounts.

Notes to the financial statements (continued)

17. Provision for vacant properties

	2007 £	2006 £
At 1 January	1,294,065	1,837,841
Charge for the year	72,093	-
Release of provision	(501,578)	(620,775)
Unwind of discount	68,070	76,999
At 31 December	932,650	1,294,065

This provision relates to costs where the company is committed to leasehold payments on properties that it has either been unable to sublet, or only been able to sublet at a loss

18. Share capital

	2007 £	2006 £
Authorised		
61,000,100 (2006 61,000,100) ordinary shares of £1 each	61,000,100	61,000,100
Issued and fully paid:		
61,000,002 (2006 61,000,002) ordinary shares of £1 each	61,000,002	61,000,002

19. Operating lease commitments

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

	2007 £	2006 £
Due within one year	411,825	539,211
Due between one and five years	914,258	1,362,318
Due beyond five years	316,285	520,474
Total amounts repayable	1,642,368	2,422,003

Where the company is the lessor the future minimum rentals receivable under non-cancellable operating leases are as follows

	2007 £	2006 £
Due within one year	49,200	73,010
Due between one and five years	61,500	114,715
Due beyond five years	-	-
Total amounts receivable	110,700	187,725

Notes to the financial statements (continued)

20. Reconciliation of profit before tax to cash flow from operating activities

	2007 £	2006 £
Profit before tax	4,815,623	4,516,071
Adjustments for		
Interest income	(2,249,754)	(1,650,114)
Depreciation	314,680	329,500
Decrease in vacant property provision	(361,415)	(543,776)
Profit on disposal of non-current assets	(160,000)	(1,023,785)
(Increase)/decrease in other current receivables	(171,898)	157,313
(Increase)/decrease in amounts owed by other group companies	(32,135)	64,566
(Decrease)/increase in amounts owed to other group companies	(34,471)	34,471
Increase/(decrease) in other current payables	1,640	(120,110)
Total adjustments	(2,693,353)	(2,751,935)
Cash generated from operations	2,122,270	1,764,136

21. Future developments

The following pronouncements will be relevant to the company but were not effective at 31 December 2007 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IAS 1 Presentation of Financial Statements ^{1 2}	Revises the overall requirements for the presentation of financial statements, guidance for their structure and minimum content requirements. The revised standard requires the presentation of all non-owner changes in equity within a statement of comprehensive income	Annual periods beginning on or after 1 January 2009
IAS 27 Consolidated and Separate Financial Statements ^{1 2}	Requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control, any remaining interest in an investee is re-measured to fair value in determining the gain or loss where control over the investee is lost	Annual periods beginning on or after 1 July 2009

Notes to the financial statements (continued)

21. Future developments (continued)

Pronouncement	Nature of change	Effective date
Amendment to IAS 23 Borrowing Costs ^{1,2}	Requires interest and other costs incurred in connection with the borrowing of funds to be recognised as an expense, except that those which are directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale must be capitalised as part of the cost of those assets	Annual periods beginning on or after 1 January 2009
IFRS 3 Business Combinations ^{1,2}	The revised standard continues to apply the acquisition method to business combinations, however, all payments to purchase a business are to be recorded at fair value at the acquisition date, some contingent payments are subsequently re-measured at fair value through income, goodwill may be calculated based upon the parent's share of net assets or it may include goodwill related to the minority interest, and all transaction costs are expensed	Annual periods beginning on or after 1 January 2009

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

² Subject to any EU endorsement, the company has not yet made a final decision as to whether it will apply these pronouncements in the 2008 financial statements

The full impact of these pronouncements is being assessed by the company. However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements