Target Corporate Services Limited

Annual report and accounts
for the year ended 31 December 2016

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

02156636

Current directors

M R Lickley
J Palmer

Company Secretary

M A A Johnson

Member of Lloyds Banking Group

Directors' report
For the year ended 31 December 2016

The directors present their report and the audited financial statements of Target Corporate Services Limited ("the Company") for the year ended 31 December 2016.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 02156636).

The principal activities of the Company are property management and the provision of related services to group undertakings and other external parties. Since the start of 2012 group undertakings have occupied the Company's investment properties on a £nil rent basis.

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")

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. KPIs are monitored and reported at a divisional level.

Future outlook

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Dividends

No dividends were paid or proposed during the year ended 31 December 2016 (2015: £24,000,000).

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:

I J Lloyd	(resigned 8 March 2016)
J Palmer	(appointed 1 December 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 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have 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

25 August 2017

Independent auditors' report to the member of Target Corporate Services Limited

Report on the financial statements

Our opinion

In our opinion, Target Corporate Services 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 2016 and of its loss 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 2016;
- 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 IFRSs as adopted by the European Union and applicable law.

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.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

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.

Independent auditors' report to the member of Target Corporate Services Limited (continued)

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 from preparing a Strategic report. We have no exceptions to report arising from this responsibility.

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. With respect to the Directors' Report, we consider whether the report includes the disclosures required by applicable legal requirements.

With respect to the Directors' Report, we consider whether the report includes the disclosures required by applicable legal requirements.

Claire Turner

Claire Turner (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

25 August 2017

Statement of comprehensive income

For the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Revenue	3	**-**	28
Operating costs	4	**(259)**	(281)
Investment property gains	11	**72**	568
Operating (loss)/profit		**(187)**	315
Interest income		**74**	68
(Loss)/profit before tax		**(113)**	383
Taxation	7	**(2)**	(1)
(Loss)/profit for the year, being total comprehensive (expense)/income		**(115)**	382

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

Balance sheet
As at 31 December 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Cash and cash equivalents	9	**15,176**	15,150
~~Other current assets~~	~~10~~	~~**11**~~	~~40~~
Investment property	11	**10,454**	10,576
Total assets		**25,641**	25,766
LIABILITIES			
Borrowed funds	12	**24,006**	24,000
Other current liabilities	13	**-**	20
Provision for liabilities and charges	14	**74**	49
Current tax liability		**2**	23
Total liabilities		**24,082**	24,092
EQUITY			
Share capital	15	**-**	-
Retained earnings		**1,559**	1,674
Total equity		**1,559**	1,674
Total equity and liabilities		**25,641**	25,766

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. Lickley

M R Lickley
Director

25 August 2017

Statement of changes in equity
For the year ended 31 December 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	27,000	(1,708)	25,292
Profit for the year being total comprehensive income	-	382	382
Share capital reduction	(27,000)	27,000	-
Dividend paid to equity holders of the Company	-	(24,000)	(24,000)
At 31 December 2015	**-**	**1,674**	**1,674**
Loss for the year being total comprehensive expense	-	(115)	(115)
At 31 December 2016	**-**	**1,559**	**1,559**

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

Cash flow statement

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows used in operating activities		
(Loss)/profit before tax	**(113)**	383
Adjustments for:		
Interest income	**(74)**	(68)
- Depreciation on Investment property	**194**	191
- Reversal of impairment on Investment property	**(72)**	(568)
- Increase/(decrease) in Provisions for liabilities and charges	**25**	-
Changes in operating assets and liabilities:		
- Net decrease/(increase) in Other current assets	**29**	(28)
- Net (decrease)/increase in Other current liabilities	**(20)**	13
Cash used in operations	**(31)**	(77)
Group relief paid	**(23)**	(664)
Net cash used in operating activities	**(54)**	(741)
Cash flows generated from investing activities		
Interest income	**74**	68
Net cash generated from investing activities	**74**	68
Cash flows generated from financing activities		
Proceeds from net borrowings with group undertakings	**6**	24,000
Dividend payment	**-**	(24,000)
Net cash generated from financing activities	**6**	-
Change in Cash and cash equivalents	**26**	(673)
Cash and cash equivalents at beginning of year	**15,150**	15,823
Cash and cash equivalents at end of year	**15,176**	15,150

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 2016

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 pronouncements relevant to the Company have been adopted in these financial statements:

(i) Annual improvement to IFRSs (issued December 2013). A collection of amendments to IFRSs from the 2010 - 12 cycle of the annual improvements projects.

(ii) Annual improvement to IFRSs (issued December 2014). A collection of amendments to IFRSs from the 2012 - 14 cycle of the annual improvements projects.

(iii) Amendments to IAS 1: Disclosure Initiative (issued December 2014). The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.

The application of these pronouncements have 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 2016 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.

1.2 Income recognition

Income and expense from financial assets

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, 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 or interest expense 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. The Company does not have any finance leases.

Operating lease income

Operating lease income is recognised on a straight line basis over the life of a lease.

When an operating lease is terminated before the end of the lease period, any payment made to the Company by way of penalty is recognised as income in the period of termination.

1.3 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents and Other current assets. 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.

1. Accounting policies (continued)

1.3 Financial assets and liabilities (continued)

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

1.4 Dividends

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

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.

Current tax assets and liabilities are offset 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.

1.7 Investment property

Investment property comprises freehold and 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 and is carried in the Balance sheet at cost less depreciation.

An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount.

1.8 Depreciation on Investment property

Depreciation on Investment property is calculated using the straight line method to allocate the difference between the cost and residual value over the estimated useful life of 50 years. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date. Independent valuations are carried out on an annual basis, and in the event that the asset's carrying value is determined to be greater than its recoverable amount an impairment is recognised immediately in the Statement of comprehensive income.

1.9 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.

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.

Fair value of Investment property

The fair value of Investment property is disclosed in note 11. Fair values of Investment properties are derived by an external party with relevant experience and qualifications in valuing properties of the type held by the Company.

Dilapidation provision

A provision is made based on the management's best estimate in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations.

Notes to the financial statements (continued)
For the year ended 31 December 2016

3. Revenue

	2016 £'000	2015 £'000
Rental income	-	25
Building services charges	-	3
	-	28

4. Operating costs

	2016 £'000	2015 £'000
Staff costs	13	9
Premises costs	21	12
Operating lease rentals	17	26
Depreciaton on Investment property (see note 11)	194	191
Other operating costs	14	43
	259	281

Fees payable to the Company's auditors for the audit of the financial statements of £6,000 (2015: £6,000) have been borne by a fellow group company and are not recharged to the Company.

5. Staff costs

All staff contracts of service are with Lloyds Bank plc. However, the staff costs shown in note 4 were paid by the Company; in respect of staff identified as providing services to the Company.

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2015: £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

	2016 £'000	2015 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	2	1
- Adjustments in respect of prior years	-	-
Current tax charge	2	1

Corporation tax is calculated at a rate of 20.00% (2015: 20.25%) of the taxable profit for the year.

Notes to the financial statements (continued)
For the year ended 31 December 2016

7. Taxation (continued)

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 the profit before tax to the actual tax charge for the year is given below:

	2016	2015
	£'000	£'000
(Loss)/profit before tax	**(113)**	383
Tax (credit)/charge thereon at UK corporation tax rate of 20.00% (2015: 20.25%)	**(23)**	78
Factors affecting (credit)/charge:		
- UK corporation tax rate change and related impacts	**-**	-
- Disallowed and non-taxable items	**25**	(77)
- Adjustments in respect of prior years	**-**	-
- Timing differences not recognised	**-**	-
Tax charge on (loss)/profit on ordinary activities	**2**	1
Effective rate	**(1.8%)**	0.3%

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.

The Finance Act 2016, which was substantively enacted on 6 September 2016, further reduced the corporate tax rate to 17% with effect from 1 April 2020.

8. Dividends

In 2016 no dividends were paid (2015: £24,000,000 per share were paid, representing a total dividend of £24,000,000).

9. Cash and cash equivalents

Cash and cash equivalents represent £476,000 (2015: £630,000) held in non-interest earning deposits and £14,700,000 (2015: £14,520,000) of deposits at commercial interest rates placed with Lloyds Bank plc.

10. Other current assets

	2016	2015
	£'000	£'000
Prepayments	**11**	17
Debtors	**-**	23
	11	40

Prepayments and other debtors are non-interest bearing.

Notes to the financial statements (continued)
For the year ended 31 December 2016

11. Investment property

	2016 £'000	2015 £'000
~~Balance brought forward~~	~~10,576~~	~~10,199~~
Depreciation	(194)	(191)
Fair value adjustment	72	568
Balance at 31 December	10,454	10,576

The Investment property comprises two commercial properties that are leased to a group company under an operating lease arrangement. The cost of land included in Investment property as at 31 December 2016 is £8,025,000 (2015: £8,025,000).

For 2016 a valuation was carried out by a registered independent appraiser having an appropriate professional qualification and recent experience in the location and category of the property being valued. The assumptions applied in determining the fair value of the property are the contracted rentals as per the signed rental agreement and the market yield. The fair value of the investment properties as at 31 December 2016 is £13,500,000 (2015: £13,500,000).

12. Borrowed funds

	2016 £'000	2015 £'000
Amounts due to group undertakings (see note 16)	24,006	24,000

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

13. Other current liabilities

	2016 £'000	2015 £'000
Other creditors	-	20

Other creditors are non-interest bearing.

14. Provision for liabilities and charges

	Provision for dilapidations £'000
At 1 January 2015	49
Charge for the year	-
At 31 December 2015	49
Charge for the year	25
At 31 December 2016	**74**

The provision for dilapidations relates to the costs associated with restoring a property after the Company had exited the leases.

15. Share capital

	2016 £'000	2015 £'000
Allotted, issued and fully paid		
1 ordinary share of £1 each	-	-

Notes to the financial statements (continued)
For the year ended 31 December 2016

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. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below:

	2016 £'000	2015 £'000
Amounts due to group undertakings		
Lloyds Commercial Properties Limited (see note 12)	**24,006**	24,000
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**15,176**	15,150
Interest income		
Lloyds Bank plc	**74**	68
Operating costs		
Lloyds Bank plc	**51**	47

During the year group undertakings occupied the Company's investment properties on a £nil rent basis leading to a reduction in Revenue.

Operating costs comprise Staff costs, Premises costs and Operating lease rentals (see note 4).

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.

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, the directors of Lloyds Commercial Properties Limited 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.

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 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. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and the Company is not charged interest on its borrowings. 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. The Company is not exposed to significant credit risk as its transactions are substantially intragroup and all assets are considered to be high quality.

The maximum credit risk exposure of the Company in the event of the other parties falling to fulfil their obligations is considered to be the carrying amount of Cash and cash equivalents and Other current assets totalling £15,187,000 (2015: £15,190,000). The Company's financial assets have no amounts past due or impaired (2015: £nil).

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 majority of the Company's income comprises interest income earned on Cash and cash equivalents held with Group companies. The Company is therefore effectively funded within the Group.

17. Financial risk management (continued)

17.3 Market risk

Market risk is the risk that market factors which management have applied in estimating anticipated residual values on Investment property differ from actual trends. Market risk is managed by the Company through the terms negotiated in commercial agreements and through regular review of residual values of Investment property.

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.

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 (2015: £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 2016 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 16 Leases [1]	Replaces IAS 17 Leases and requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. Lessees will recognise a finance charge on the liability and a depreciation charge on the asset which could affect the timing of the recognition of expenses on leased assets.	Annual periods beginning on or after 1 January 2019

Notes to the financial statements (continued)
For the year ended 31 December 2016

21. Future developments (continued)

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments'	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 cost, 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
Minor amendments to other *accounting standards*	During 2016, the IASB has issued amendments to IAS 7 *Statement of Cash Flows* (which require additional disclosure about an entity's financing activities) and IAS 12 Income Taxes (which clarify when a deferred tax asset should be recognised for unrealised losses) together with a number of other minor amendments to IFRSs.	Annual periods beginning on or after 1 January 2017

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. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.