

United Dominions Leasing Limited

Registered number 824614

Report and Accounts 2005



Member of Lloyds TSB Group

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Company information

Directors

Directors	JL Davies MP Kilbee DK Potts
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Secretary	David Jarvis
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United Dominions Leasing Limited is a limited company registered in England No: 824614 and is both incorporated and domiciled in England.

Registered office

25 Gresham Street
London
EC2V 7HN

Directors' report

For the year ended 31 December 2005

The directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of United Dominions Leasing Limited (the "Company") is leasing.

Review of business and future developments

The business has performed in line with expectations during the period. There are no expected changes in the nature and extent of the Company's operations and the directors envisage that it will continue to perform satisfactorily.

Financial risk management

Responsibility for the control of overall risk within the Company lies with the board of directors. See note 2.

Dividends

A dividend of £990,665 was declared in 2003 and paid in 2004. No dividends were paid in 2005.

Directors and their interests

The names of the current directors are shown on page 2.

J L Davies and D K Potts are also directors of Lloyds TSB Asset Finance Division Limited, and their interests in the capital of Lloyds TSB Group plc and its subsidiaries are set out in the accounts of that company.

The interests of the other director in office at 31 December 2005 in the capital of Lloyds TSB Group plc and its subsidiaries were:

	At 31 December 2005		Options granted during year	At 1 January 2005	
	Shares	Options		Shares	Options
MP Kilbee	35,446	73,869	15,199	34,211	58,670

Directors' report

For the year ended 31 December 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRS) as adopted by the European Union have been followed, subject to any material departures disclosed 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 proper 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 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.

Policy and practice on payment of creditors

The Company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from The DTI Publications Order Line 0845-0150010 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 as at 31 December 2005, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2004: nil).

By order of the Board



David Jarvis
Company Secretary

20 October 2006

Report of the independent auditors to the members of United Dominions Leasing Limited

We have audited the financial statements of United Dominions Leasing Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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 Annual Report and 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 its implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

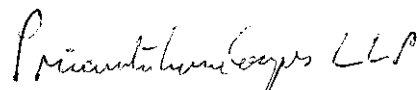
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2005 and of its profit and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

One Kingsway
Cardiff
CF10 3PW

31 October

2006

Income statement

Income statement for the year ended 31 December 2005

	Note	2005 £	2004 £
Interest and similar income		7,092,014	8,881,042
Interest expense and similar charges		(2,248,193)	(2,475,408)
Net interest income	4	<u>4,843,821</u>	<u>6,405,634</u>
Fees and commission expense	5	<u>(241,792)</u>	<u>(376,306)</u>
Other operating expenses	6	<u>(3,422,279)</u>	<u>(4,214,714)</u>
Profit before tax	7	1,179,750	1,814,614
Taxation	10	(353,066)	(542,956)
Profit for the year attributable to equity share holders		<u><u>826,684</u></u>	<u><u>1,271,658</u></u>

All operations are continuing.

The Company had no recognised gains or losses other than the profit for the year.

The notes on pages 10 to 22 are an integral part of these financial statements.

Balance Sheet

Balance sheet at 31 December 2005

	Note	2005 £	2004 £
ASSETS			
Loans and advances to customers	12	97,465,859	69,789,485
Other current assets	14	2,578,687	14,781,187
Property, plant and equipment	13	5,728,916	8,334,673
Total assets		105,773,462	92,905,345
LIABILITIES			
Borrowed funds	15	95,268,605	84,144,079
Other current liabilities	16	3,488,647	1,523,106
Current tax liabilities		1,967,310	752,963
Deferred tax liabilities	17	4,003,226	5,735,668
Total liabilities		104,727,788	92,155,816
EQUITY			
Other reserves	18	(254,649)	-
Share capital	19	100	100
Retained profits		1,300,223	749,429
Total equity		1,045,674	749,529
Total equity and liabilities		105,773,462	92,905,345

The notes on pages 10 to 22 are an integral part of these financial statements.

The financial statements on pages 6 to 22 were approved by the Board of Directors and were signed on its behalf by:



D K Potts
Director

24 October 2006

Statement of changes in equity

31 December 2005

	Share capital £	Other Reserves £	Retained profits £	Total £
Previously reported balance at 1 January 2004	100	-	816,600	816,700
Prior year adjustment – IFRS adoption	-	-	(348,164)	(348,164)
Adjusted balance at 1 January 2004	100	-	468,436	468,536
Profit for the year	-	-	1,271,658	1,271,658
Dividend paid	-	-	(990,665)	(990,665)
At 31 December 2004	100	-	749,429	749,529
Adjustment on transition to IAS 32/39	-	(20,867)	(275,890)	(296,757)
Adjusted balance at 1 January 2005	100	(20,867)	473,539	452,772
Profit for the year	-	-	826,684	826,684
Changes in fair value of cash flow hedges	-	(233,782)	-	(233,782)
At 31 December 2005	100	(254,649)	1,300,223	1,045,674

The notes on pages 10 to 22 are an integral part of these financial statements.

Cash flow statement

Cash flow for the year ended 31 December 2005

	2005 £	2004 £
Cash flows from operating activities		
Profit before tax	1,179,750	1,814,614
Adjustments for:		
- Interest payable	2,248,193	2,475,408
- Depreciation	2,024,874	2,870,656
- Loss on sale of PPE	1,200,518	5,911
Changes in operating assets and liabilities:		
- net (increase)/decrease in loans and advances to customers	(28,070,502)	3,735,691
- net decrease/(increase) in other assets	12,202,500	(12,642,440)
- net increase in other liabilities	1,709,626	332,704
Cash used in operations	(7,505,041)	(1,407,456)
Interest paid	(2,248,193)	(2,475,408)
Taxes received/(paid) via group relief	(752,923)	(156,436)
Net cash used in operating activities	(10,506,157)	(4,039,300)
Cash flows from investing activities		
Purchase of PPE	(619,635)	(107,678)
Other investing cash flows	1,266	
Net cash used in investing activities	(618,369)	(107,678)
Cash flows from financing activities		
Proceed from borrowed funds	11,124,526	5,137,643
Dividends paid	-	(990,665)
Net cash flows used in financing activities	11,124,526	4,146,978
Net (decrease)/increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The notes on pages 10 to 22 are an integral part of these financial statements.

Notes to the financial statements

31 December 2005

1. Accounting policies

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

1.1 Basis of preparation

The Company's ultimate parent company adopted International Financial Reporting Standards ("IFRS") as adopted by the European Union in its financial statements for the year ended 31 December 2005. The Company has also adopted IFRS in the preparation of these financial statements for the year ended 31 December 2005. The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

The rules for first time adoption of IFRS are set out in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. On 1 January 2004, the date of transition, the opening IFRS balance sheet position has been determined in accordance with IFRS 1 which requires IFRS accounting policies to be applied on a retrospective basis with certain exceptions and exemptions detailed below.

Mandatory exception	Impact
Estimates	The Company's estimates at the date of transition are consistent with those under UK GAAP.
Voluntary exemption	
Comparatives for financial instruments and designation of financial assets	The Company has chosen not to restate comparatives for IAS 32 and IAS 39, but to reflect the impact of these standards through adjustments to shareholders' equity as at 1 January 2005. The Company has applied UK GAAP to financial instruments for its 2004 comparatives.

The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 21. The effects of the changes in accounting policy due to conversion to IFRS are disclosed in the Statement of Changes in Equity.

1.2 Income recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly 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.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

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 using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.3 Fee and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate such as commission associated with the sale of insurance underwritten by a third party are generally recognised on an accruals basis when the service has been provided.

Notes to the financial statements

31 December 2005

1.4 Financial assets

The majority of the Company's financial assets are loans and advances to customers at initial recognition.

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and advances to customers are accounted for at amortised cost using the effective interest method. Loans and advances are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs. Loans and advances are derecognised when the rights to receive cash flows from them have expired or where the Group has transferred substantially all risks and rewards of ownership.

1.5 Derivative financial instruments

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and liabilities when their fair value is negative.

1.6 Impairment of financial assets

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If there is no objective evidence of individual impairment the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the income statement.

When a loan or advance is uncollectible, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses in the income statement.

1.7 Leases

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.

When assets are held subject to a finance lease or hire purchase contract, the present value of the lease payments is recognised as a receivable within loans and advances to customers. Finance lease income, comprising interest together with non-contingent contractual fees, is recognised over the term of the lease using the effective interest rate method (before tax).

Notes to the financial statements

31 December 2005

1.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

1.9 Taxation, including deferred income taxes

Current 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 substantially enacted 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. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses 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 to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.10 Dividends

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

1.11 Tangible fixed assets

Tangible fixed assets are included at cost less depreciation. Depreciation is calculated using the straight-line method to allocate the difference between the cost and residual value over their estimated useful lives, as follows:

- Motor vehicles - 3 years

2 Risk management policy

The Company's operations expose it to credit risk, liquidity risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the intermediate parent, Lloyds TSB Asset Finance Division Limited, and the ultimate parent, Lloyds TSB Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group companies which fund the Company. The credit risk is not considered to be significant on all lending to companies within the Lloyds TSB group.

2.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

The credit risk associated with instalment credit contracts is managed through the application of strict underwriting criteria, determined by the Lloyds TSB Asset Finance Division Limited credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis.

2.2 Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates which can result in a fair value and a cash flow risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Lloyds TSB Asset Finance Division Board of Directors sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored regularly.

Notes to the financial statements

31 December 2005

3 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.

Impairment on assets accounted for at amortised cost

The Company regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment has occurred the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows and their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on assets in the Company.

The methodology used to calculate the required impairment provisions are calculated collectively using formulae which take into account factors such as the length of time that the customer's account has been delinquent, historical loss rates and the value of any collateral held in order to determine expected future cash flows. The variables used in the formulae are kept under regular review to ensure that as far as possible they reflect the current economic circumstances, although actual experience may differ from that assumed.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4 Net interest income

	2005 £	2004 £
Interest income		
Lease and hire purchase receivables	7,092,014	8,881,042
	-----	-----
Interest expense		
Group interest expense (see note 17)	2,248,193	2,475,408
	-----	-----
Net interest income	4,843,821	6,405,634
	=====	=====

The average effective interest rate in 2005 was 8.17% for lease and hire purchase.

5 Fee and commission expense

	2005 £	2004 £
Fee and commission expense		
Other fees and commissions payable	241,792	376,306
	=====	=====

6 Other operating expenses

	2005 £	2004 £
Depreciation	2,024,874	2,870,656
Bad debt expense	43,143	277,604
Management fees (see note 20)	1,354,262	1,066,454
	-----	-----
	3,422,279	4,214,714
	=====	=====

Notes to the financial statements

31 December 2005

7 Profit before tax

The following items have been included in arriving at operating profit:

	2005 £	2004 £
Income		
Aggregate rentals receivable:		
- From operating lease contracts	2,782,130	3,446,462
- From finance lease contracts	4,309,884	5,434,580
- Loss on sale of PPE	1,200,518	5,911

8 Staff costs

The Company did not directly employ any person during the year (2004: none), accounting and administrative services being provided by Black Horse Limited, a fellow subsidiary undertaking.

9 Directors' emoluments

No director received any fees or emoluments during the year in connection with services provided to the Company (2004: £nil). The directors 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.

10 Taxation

	2005 £	2004 £
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on profits for the year	1,967,310	752,963
- Adjustments in respect of prior years	(40)	(9,460)
Current tax charge	1,967,270	743,503
Deferred tax	(1,613,385)	(208,579)
Deferred tax in respect of prior years	(819)	8,032
	353,066	542,956

The charge for tax on the profit for the year is based on a corporation tax rate of 30% (2004: 30%).

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:

	2005 £	2004 £
Profit before tax	1,179,750	1,814,614
Tax charge thereon at UK corporation tax rate of 30%	353,925	544,384
Factors affecting charge:		
- Adjustment in respect of prior years	(859)	(1,428)
Tax on profit on ordinary activities	353,066	542,956
Effective rate	29.9%	29.9%

Notes to the financial statements

31 December 2005

11 Dividends

Dividend per share £nil (2004: £9,906.65) representing a total dividend of £nil (2004: £990,665).

12 Loans and advances to customers

	2005 £	2004 £
Gross loans and advances to customers	97,722,119	70,016,581
Less: allowances for losses on loans and advances	(256,260)	(227,096)
	-----	-----
Loans and advances to customers, net	97,465,859	69,789,485
	=====	=====
of which:		
Due within one year	31,865,558	26,965,653
Due after more than one year	65,600,301	42,823,832
	-----	-----
	97,465,859	69,789,485
	=====	=====

Loans and advances to customers include hire purchase and finance lease receivables:

	2005 £	2004 £
Gross investment in hire purchase and finance lease contracts, receivable:		
- no later than one year	36,324,096	29,906,917
- later than one year and no later than five years	60,733,567	46,581,490
- later than five years	15,133,242	516,684
	-----	-----
	112,190,905	77,005,091
	-----	-----
Unearned future finance income on hire purchase and finance lease contracts	(14,468,786)	(6,988,510)
	-----	-----
Net investment in hire purchase and finance lease contracts	97,722,119	70,016,581
	=====	=====
The net investment in hire purchase and finance lease contracts may be analysed as follows:		
- no later than one year	32,121,818	27,192,749
- later than one year and no later than five years	53,193,507	42,354,040
- later than five years	12,406,794	469,792
	-----	-----
	97,722,119	70,016,581
	=====	=====

Notes to the financial statements

31 December 2005

13 Property, plant and equipment

	£
Cost:	
At 1 January 2004	20,426,465
Additions	107,678
Disposals	(473,894)
Reclassification	498,895

At 31 December 2004	20,559,144
Additions	619,635
Disposals	(4,115,578)

At 31 December 2005	17,063,201
	=====
Accumulated depreciation	
At 1 January 2004 as previously stated	8,720,542
Prior year adjustments – IFRS adoption	885,632

At 1 January 2004 as restated	9,606,174
Charge for the year	2,870,656
Disposals	(467,983)
Reclassification	215,624

At 31 December 2004	12,224,471
Charge for the year	2,024,874
Disposals	(2,915,060)

At 31 December 2005	11,334,285
	=====
 Balance sheet amount at 31 December 2005	 5,728,916
	=====
 Balance sheet amount at 31 December 2004	 8,334,673
	=====

Property, plant and equipment represent assets leased to customers under operating leases.

In 2004 operating lease assets included assets reclassified from debtors with a net book value of £283,271. This transfer corrected a misclassification relating to assets previously classified as loans and advances to customers.

14 Other current assets

	2005 £	2004 £
Amounts due from group undertakings (see note 20)	-	12,898,934
Other debtors	2,578,687	1,882,253
	-----	-----
	2,578,687	14,781,187
	=====	=====

Amounts due from group undertakings are unsecured, repayable on demand and generally interest bearing. Rates applicable are based on LIBOR.

Notes to the financial statements

31 December 2005

15 Borrowed funds

	2005 Due within one year £	2004 Due within one year £
Borrowings from group undertakings (see note 20)	95,268,605 =====	84,144,079 =====

Amounts due to group undertakings are unsecured, repayable on demand and generally interest bearing. Variable rates based on LIBOR were charged during the year.

16 Other current liabilities

	2005 £	2004 £
Other creditors	3,232,732	1,519,524
Derivative financial instruments	255,915	-
Accruals	-	3,582
	3,488,647 =====	1,523,106 =====

The principal derivative financial instruments used by the Company are designated as cash flow hedges and are detailed below.

	Contract/notional Amount £	Fair values Assets £	Liabilities £
31 December 2005			
Interest rate swaps	24,392,133 =====	- ==	255,915 =====

Notes to the financial statements

31 December 2005

17 Deferred tax

The movement in the net deferred tax liability is as follows:

	2005 £	2004 £
Restated at 1 January	5,735,668	5,936,215
Adjustment on implementation of IAS 32 & IAS 39	(118,238)	-
At 1 January as restated	5,617,430	5,936,215
Income statement credit	(1,614,204)	(200,547)
At 31 December	4,003,226	5,735,668

The deferred tax credit in the income statement comprises the following temporary differences:

	2005 £	2004 £
Accelerated capital allowances	(1,721,828)	(200,645)
Other temporary differences	107,624	98
	(1,614,204)	(200,547)

Deferred tax assets and liabilities are comprised as follows:

	2005 £	2004 £
Deferred tax liability		
- Accelerated capital allowances	4,018,099	5,739,927
- Other temporary differences	(14,873)	(4,259)
	4,003,226	5,735,668

18 Other reserves

	2005 £
Revaluation reserve deficit in respect of cash flow hedges	(254,649)
The movement in the reserve were as follows:	
At 1 January (following implementation of IAS 32/39)	(20,867)
Change in fair value of cash flow hedges	(233,782)
At 31 December	(254,649)

Notes to the financial statements

31 December 2005

19 Share capital

	2005 £	2004 £
Authorised, allotted, issued and fully paid		
100 Ordinary shares of £1 each	100	100
	=====	=====

The immediate parent company is Lloyds UDT Limited. The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, 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.

20 Related party transactions

The Company is controlled by Black Horse Group Limited (incorporated in England and Wales). The ultimate parent of the Company is Lloyds TSB Group plc (incorporated in Scotland). Copies of the ultimate parent company's 2005 annual report and accounts may be obtained from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.

A number of transactions are entered into with related parties in the normal course of business. These include loans, fees and commission transactions. The outstanding balances at the year end, and related expense and income for the year are as follows:

	Group and associated companies	
	2005 £	2004 £
Outstanding at 31 December		
United Dominion Trust Limited	(41,062,231)	(35,396,528)
Lloyds UDT Limited	(27,782,897)	(47,680,736)
Black Horse Limited	(752,923)	(1,066,815)
Lloyds TSB Asset Finance Division	-	12,898,934
Lloyds TSB Bank plc	(25,670,554)	-
	=====	=====
Derivative financial instruments		
Lloyds TSB Bank plc (see note 16)	(255,915)	-
	=====	=====
Interest payable		
United Dominion Trust Limited	1,181,333	1,091,698
Lloyds TSB Asset Finance Division	-	1,190,532
Lloyds UDT Limited	1,033,079	193,178
UDT Budget Leasing Limited	33,781	-
	=====	=====
Management fee		
Lloyds UDT Limited	1,354,262	1,066,454
	=====	=====

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 comprise the directors of the Company and the members of the Lloyds TSB Asset Finance Division board which comprises the statutory directors of that company and certain other senior management. Other than as set out in note 9, 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 Lloyds TSB Asset Finance Division Limited sub group and consider that their services to the Company are incidental to their other activities within the group.

Notes to the financial statements

31 December 2005

21 Reconciliation of net assets and profit under UK GAAP to IFRS

United Dominions Leasing Limited reported under UK GAAP in its previously published financial statements for the year ended 31 December 2004.

The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 31 December 2004 to the revised net assets and profit under IFRS as reported in these financial statements.

In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for this company, being 1 January 2004 and at 1 January 2005, the date at which the IAS 32 and IAS 39 adjustments were reflected.

	2004 £
Reconciliation of profit	
Profit after dividends for the year reported under UK GAAP	836,600
IAS 17 – Leasing : Income adjustment arising from the use of the pre-tax actuarial method	271,002
IAS 17 – Leasing : depreciation	164,056

Profit after tax reported under IFRS	1,271,658
	=====

Accounting changes effective from 1 January 2005 and which do not affect 2004 comparatives

Derivative financial instruments and hedging – IAS 39:

The Company enters into derivative contracts to hedge cash flows arising from leased assets. Under UK GAAP hedging derivatives were accounted for on an accruals basis. IAS 39 requires that all derivative contracts are carried at fair value on the Company's balance sheet and, where hedge accounting has been applied, all movements in the fair value are credited or charged directly to equity.

Reconciliation of equity at 1 January 2004 (date of transition to IFRS)

	UK GAAP £	Effect of transition to IFRS £	IFRS £
ASSETS			
Loans and advances to customers	74,552,159	(1,026,982)	73,525,177
Other current assets	2,138,746	-	2,138,746
Property, plant and equipment	11,989,194	(885,632)	11,103,562
	-----	-----	-----
Total assets	88,680,099	(1,912,614)	86,767,485
	=====	=====	=====
LIABILITIES			
Borrowed funds	79,006,436	-	79,006,436
Other current liabilities	2,181,067	(990,665)	1,190,402
Current tax liabilities	165,896	-	165,896
Deferred tax liabilities	6,510,000	(573,785)	5,936,215
	-----	-----	-----
Total liabilities	87,863,399	(1,564,450)	86,298,949
	=====	=====	=====
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	100	-	100
Retained profits	816,600	(348,164)	468,436
	-----	-----	-----
Total equity	816,700	(348,164)	468,536
	=====	=====	=====
Total equity and liabilities	88,680,099	(1,912,614)	86,767,485
	=====	=====	=====

Notes to the financial statements

31 December 2005

Reconciliation of equity at 31 December 2004 and 1 January 2005 (date of transition to IFRS)

	UK GAAP £	Effect of transition to IFRS £	IFRS 31/12/2004 £	Effect of IAS 32/39 £	IFRS 01/01/2005 £
ASSETS					
Loans and advances to customers	70,429,322	(639,837)	69,789,485	(394,128)	69,395,357
Other current assets	14,781,187	-	14,781,187	-	14,781,187
Property, plant and equipment	8,985,939	(651,266)	8,334,673	-	8,334,673
Total assets	94,196,448	(1,291,103)	92,905,345	(394,128)	92,511,217
LIABILITIES					
Other borrowed funds	84,144,079	-	84,144,079	-	84,144,079
Other current liabilities	1,523,106	-	1,523,106	20,867	1,543,973
Current tax liabilities	752,963	-	752,963	-	752,963
Deferred tax liabilities	6,123,000	(387,332)	5,735,668	(118,238)	5,617,430
Total liabilities	92,543,148	(387,332)	92,155,816	(97,371)	92,058,445
EQUITY					
Share capital	100	-	100	-	100
Other reserves	-	-	-	(20,867)	(20,867)
Retained profits	1,653,200	(903,771)	749,429	(275,890)	473,539
Total equity	1,653,300	(903,771)	749,529	(296,757)	452,772
Total equity and liabilities	94,196,448	(1,291,103)	92,905,345	(394,128)	92,511,217

Notes to the financial statements

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Explanation of reconciling items between UK GAAP and IFRS

Net equity at 1 January 2004

Income adjustment arising from the use of the pre-tax actuarial method	(1,026,982)
Depreciation	(885,632)
Dividends proposed in 2003 and accrued under UK GAAP but paid in 2004	990,665
Deferred tax	573,785

	(348,164)

Net equity at 31 December 2004

Income adjustment arising from the use of the pre-tax actuarial method	(639,837)
Depreciation	(651,266)
Deferred tax	387,332

	(903,771)

Net equity at 1 January 2005

Loan initial direct costs recognised at inception – IAS 39	(392,093)
Loan acceptance fees spread - IAS 39	(2,035)
Deferred tax	118,238
Changes in fair value of cash flow hedges	(20,867)

	(296,757)

Under IFRS, the estimation technique for depreciation of operating lease assets has changed from an actuarial to a straight line basis.

Accounting for leases in accordance with IAS 17 is different from SSAP 21. The main differences are that the direct costs incurred by the lessor should be added to the carrying value of the leased asset, whereas all direct costs were recognised at the inception of the lease under SSAP 21.

IAS 39 requires that the direct costs incurred by the lender should be added to the carrying value of the loan whereas all direct costs were previously recognised at inception. Similarly, acceptance fees and early settlement income is spread using the effective interest method. In addition, the IAS impairment methodology includes the recognition of potential losses included in the up to date book and of the effect of discounting.

Under IFRS, the estimation technique for depreciation of operating lease assets has changed from an actuarial to a straight line basis.

IAS 17 requires that income from finance leases is credited to the income statement to give a constant pre-tax rate of return, whereas previously under UK GAAP income was credited to give a constant post-tax rate of return.

Under IFRS, equity dividends declared and authorised after the balance sheet date may not be included as a liability at the balance sheet date.