

United Dominions Leasing Limited

Registered number 824614

Report and Accounts 31 December 2007

Member of Lloyds TSB Group

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Company information

Directors

Directors	T M Blackwell A P White D J S Oldfield
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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 and Wales

Registered office

25 Gresham Street
London
EC2V 7HN

Directors' report

For the year ended 31 December 2007

Business review and principal activities

The principal activity of United Dominions Leasing Limited ("the Company") is the provision of a range of operating and finance lease options for corporate customers. The results for the Company show a loss before tax of £1,379,687 (2006 £435,558) for the year and net interest income of £621,641 (2006 £1,599,169).

The Company is funded entirely by other companies within the Lloyds TSB Group.

Future outlook

The environment within which the Company operates remains competitive. The business has performed in line with expectations during the period with the level of interest earned and paid increasing as a result of new business written during the year. A decision was made in June 2008 to discontinue the operating lease product.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division Limited sub group and are not managed separately. For further details refer to note 2 – "Risk Management policy" in these 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.

Policy and practice on payment of suppliers

The Company follows "The Better Payment Practice Code" published by the Department of 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 Order Line 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 material amounts to trade suppliers as 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 has been rounded to nil (2006 nil).

Dividends

No dividend was paid in the year ended 31 December 2007 (2006 £nil).

Directors

The names of the current directors are shown on page 1.

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

D K Potts	(resigned 28 September 2007)
M P Kilbee	(resigned 30 April 2008)
T M Blackwell	(appointed 28 September 2007)
A P White	(appointed 30 April 2008)

Directors' report

For the year ended 31 December 2007

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, 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 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

Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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 234ZA of the Companies Act 1985

On behalf of the board



T M Blackwell
Director

30 October 2008

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 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

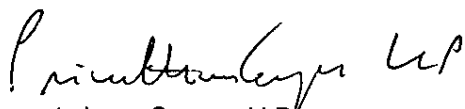
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss 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
Chartered Accountants and Registered Auditors

One Kingsway
Cardiff
CF10 3PW

31 October 2008

Income statement

For the year ended 31 December 2007

	Note	2007	Restated 2006
Interest and similar income		9,206,256	6,709,012
Interest expense and similar charges		(8,584,615)	(5,109,843)
Net interest income	4	621,641	1,599,169
Other operating income		4,520,958	1,383,146
Fees and commission expense	5	(17,493)	(5,432)
Impairment losses on loans and advances		(100,804)	(202,164)
Other operating expenses	6	(6,403,989)	(3,210,277)
Loss before tax		(1,379,687)	(435,558)
Taxation	9	1,068,248	130,104
Loss for the year attributable to equity shareholders		(311,439)	(305,454)

The notes on pages 9 to 22 are an integral part of these financial statements

The restatement of the comparatives is explained in notes 4, 5 and 6

Balance Sheet

At 31 December 2007

	Note	2007 £	Reclassified 2006 £
ASSETS			
Other current assets	10	11,338,353	6,973,677
Current tax assets		1,986,713	2,877,593
Loans and advances to customers	12	152,225,684	123,898,711
Property, plant and equipment	11	34,837,436	10,201,409
Total assets		200,388,186	143,951,390
LIABILITIES			
Borrowed funds	13	187,454,512	134,818,326
Other current liabilities	14	3,323,787	1,783,036
Deferred tax liabilities	15	8,860,656	6,246,249
Total liabilities		199,638,955	142,847,611
EQUITY			
Other reserves	16	65,801	108,910
Share capital	17	100	100
Retained earnings		683,330	994,769
Total equity		749,231	1,103,779
Total equity and liabilities		200,338,186	143,951,390

The balance sheet at 31 December 2006 reflects a reclassification explained in notes 11 and 14

The notes on pages 9 to 22 are an integral part of these financial statements

The financial statements on pages 5 to 22 were approved by the Board of Directors and were signed on its behalf by



T M Blackwell
Director

30 October 2008

Statement of changes in equity

At 31 December 2007

	Share capital £	Other Reserves £	Retained earnings £	Total £
At 1 January 2006	100	(178,254)	1,300,223	1,122,069
Loss for the year	-	-	(305,454)	(305,454)
Changes in fair value of cash flow hedges	-	287,164	-	287,164
At 31 December 2006	100	108,910	994,769	1,103,779
Loss for the year	-	-	(311,439)	(311,439)
Changes in fair value of cash flow hedges	-	(43,109)	-	(43,109)
At 31 December 2007	100	65,801	683,330	749,231

The notes on pages 9 to 22 are an integral part of these financial statements

Cash flow statement

For the year ended 31 December 2007

	2007 £	2006 £
Cash flows from operating activities		
Loss before tax	(1,379,687)	(435,558)
Adjustments for		
- interest payable	8,584,615	5,109,843
- depreciation	3,192,352	1,172,410
- loss on sale of property, plant and equipment	979,233	129,483
Changes in operating assets and liabilities		
- net increase in loans and advances to customers	(28,326,973)	(26,633,847)
- net decrease/(increase) in other debtors	231,441	(3,038,894)
- net increase/(decrease) in other creditors	1,554,151	(1,426,512)
Cash used in operations	(15,164,868)	(25,123,075)
Interest paid	(8,584,615)	(5,109,843)
Taxes received/(paid) via group relief	4,594,622	(2,148,617)
Net cash used in operating activities	(19,154,861)	(32,381,535)
Cash flows from investing activities		
Payments for property, plant and equipment	(29,373,381)	(6,945,654)
Proceeds from disposal of property, plant and equipment	565,769	970,273
Net cash used in investing activities	(28,807,612)	(5,975,381)
Cash flows from financing activities		
Advances of net amounts due to group undertakings	47,962,473	38,356,916
Net cash flows from financing activities	47,962,473	38,356,916
Net movement 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 9 to 22 are an integral part of these financial statements

Notes to the financial statements

31 December 2007

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 to all years presented unless otherwise stated. United Dominions Leasing Limited is a limited company incorporated and domiciled in the United Kingdom.

These financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union.

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. IFRS 7 supersedes IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments Presentation'. The IFRS 7 disclosures are set out in notes 2 and 20.

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. These new capital disclosures are set out in note 20.

The financial statements have been prepared on a going concern basis under the historical cost convention.

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 to a period off account.

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 fees 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.

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

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.

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

1.3 Financial assets and liabilities and operating leases

Financial assets comprise amounts due from group companies, loans and advances to customers and other debtors. Financial liabilities comprise borrowed funds and other creditors. Derivative contracts can be either a financial asset or liability and are discussed separately in note 1.4.

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 cashflows, or obligations to pay cashflows, have expired. Other debtors, balances with group companies, borrowed funds and other creditors are recognised at amortised cost inclusive of transaction costs, using the effective interest rate method.

When assets are leased under a finance lease, the amount due from the lessee is recorded as a receivable at the net present value of the lease payments plus any guaranteed residual value payments, where applicable, being the company's net investment in the lease.

Operating lease assets are included within property, plant and equipment at cost and depreciated on a straight line basis over the life of the lease after taking into account anticipated residual values.

Notes to the financial statements

31 December 2007

1. Accounting policies (continued)

1.4 Derivative financial instruments

Derivatives may only be designated as hedges provided certain strict criteria are met. At the inception of a hedge, its terms must be clearly documented and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flow of the hedged risk.

The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1.5 Impairment

Loans and advances to customers and finance leases

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.

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 are recognised in the income statement on a cash receipts basis.

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.

Assets held under operating lease

Impairment of property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the income statement.

Impairment losses on loans and advances are recognised separately in the income statement. 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, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the income statement.

Notes to the financial statements

31 December 2007

1. Accounting policies (continued)

1.6 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 inception

1.7 Taxation, including deferred income taxes

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

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

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 and credit risk is carefully monitored by Asset Finance Division credit committees and credit functions

2.1 Credit risk

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

For loans and advances, credit risk arises both from amounts lent and commitments to extend credit to a customer, principally loan commitments

In measuring the credit risk of loans and advances to customers, the Company reflects three components: (i) the 'probability of default' by the customer on its contractual obligations, (ii) current exposures to the customer and their likely future development, from which the Company derives the 'exposure at default', and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default')

The Company assesses the probability of default of individual customers using internal rating models tailored to the various categories of customer. Exposure at default and loss given default models are also in use. All rating models, which are authorised by executive management, comply with the Group's standard methodology and are subject to a rigorous validation process

Credit risk mitigation

- Credit principles and policy: Group risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions

Notes to the financial statements

31 December 2007

2. Risk management policy (continued)

- Stress testing and scenario analysis at a divisional level. The credit portfolio is also subjected to stress-testing and scenario analysis, to simulate outcomes and calculate their associated impact.
- Customer limits. Credit risk in wholesale portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward. Divisional exposure to individual, groups, or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities.

2.2 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities.

Interest rate risk on the Company's borrowings from Lloyds TSB Bank plc is managed by using interest rate swaps which convert interest payable from floating to fixed rate in order to match the fixed rentals receivable on the Company's operating lease book. The Company has residual exposure to fluctuations in interest rates on other borrowings.

2.3 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 Lloyds TSB Group.

Liquidity risks are managed as part of the Lloyds TSB Group by the intermediate parent company, Lloyds TSB Bank plc, in consultation with the board of directors.

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 portfolios 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 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.

The Group reviews the residual value of its operating lease assets on a quarterly basis by reference to independent market value data and the prevailing economic conditions. The adjustment arising from the reviews are dealt with as set out in note 1.5 above.

Notes to the financial statements

31 December 2007

4. Net interest income

	2007 £	Restated 2006 £
Interest income		
Finance lease receivables	9,206,256	6,709,012
Interest expense		
Group interest expense (see note 18)	8,584,615	5,109,843
Net interest income	621,641	1,599,169

The average effective interest rate in 2007 was 6.65% for lease and hire purchase (2006 6.75%)

Interest income at 31 December 2006 has been restated to reflect the effective interest rate methodology set out in note 1. As a result, interest income from finance lease receivables has decreased by £776,508 and fees and commission expense has decreased by the same amount.

5. Fees and commission expense

	2007 £	Restated 2006 £
Other fees and commissions payable	17,493	5,432

Fees and commission expense at 31 December 2006 has been restated to reflect the effective interest rate methodology set out in note 1. As a result, interest income from finance lease receivables has decreased by £776,508 and fees and commission expense has decreased by the same amount.

6. Other operating expenses

	2007 £	Reclassified 2006 £
Depreciation	3,192,352	1,172,410
Management charges (see note 18)	2,232,404	1,908,384
Loss on disposal of property, plant and equipment	979,233	129,483
	6,403,989	3,210,277

Auditors' remuneration of £2,000 (2006 £2,000) has been borne by a fellow subsidiary undertaking.

Included within depreciation is an impairment charge of £480,585 (2006 £nil) which has been calculated based upon changes in the expected residual value of assets on operating lease since the inception of such leases.

The loss on disposal of property, plant and equipment at 31 December 2006 has been reclassified from other operating income to better reflect the nature of the balance. As a result, other operating expenses have increased by £129,483 and other operating income has increased by the same amount.

7. Staff costs

The Company did not directly employ any persons during the year (2006 none). Accounting and administration services were provided by a fellow subsidiary undertaking.

8. Directors' emoluments

No director received any fees or emoluments during the year (2006 £nil). The directors are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group. Lloyds TSB Asset Finance Division Limited is the parent company of a sub group which comprises several trading companies engaged in a wide range of lending activities. The directors' services to this Company are considered to be incidental to their other responsibilities within this sub group (see note 18).

Notes to the financial statements

31 December 2007

9. Taxation

	2007 £	2006 £
a) Analysis of credit for the year		
UK corporation tax		
- current tax credit for the year	(2,259,822)	(3,089,010)
- adjustments in respect of prior years	(1,443,920)	(10,793)
Current tax credit	(3,703,742)	(3,099,803)
Deferred tax (note 15)	2,635,494	2,969,699
	(1,068,248)	(130,104)

The credit for tax on the loss for the year is based on a corporation tax rate of 30% (2006 30%)

b) Factors affecting the tax credit for the year

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

	2007 £	2006 £
Loss before tax	(1,379,687)	(435,558)
Tax credit thereon at UK corporation tax rate of 30%	(413,906)	(130,667)
Factors affecting charge		
- non allowable items	-	(97)
- adjustment in respect of prior years	(23,194)	660
- effect of reduction in deferred tax rate to 28%	(631,148)	-
Tax on loss on ordinary activities	(1,068,248)	(130,104)
Effective rate	77.4 %	29.9 %

10. Other current assets

	2007 £	2006 £
Amounts due from group undertakings (see note 18)	5,866,518	1,192,805
Derivative financial instruments (see note 18 and 20)	91,390	168,986
Other debtors	5,380,445	5,611,886
	11,338,353	6,973,677

Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand

Notes to the financial statements

31 December 2007

11. Property, plant and equipment

	£
Cost	
At 1 January 2006	17,063,201
Additions	6,945,654
Disposals	(4,075,569)
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At 31 December 2006	19,933,286
Additions	29,373,381
Disposals	(6,260,028)
<hr/>	
At 31 December 2007	43,046,639
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Accumulated depreciation	
At 1 January 2006	11,334,285
Transfer of impairment provision	200,995
At 1 January 2006 as restated	11,535,280
Charge for the year	1,172,410
Disposals	(2,975,813)
<hr/>	
At 31 December 2006	9,731,877
Charge for the year	3,192,352
Disposals	(4,715,026)
<hr/>	
As at December 2007	8,209,203
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Balance sheet amount at 31 December 2007	34,837,436
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Balance sheet amount at 31 December 2006	10,201,409

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

An impairment provision of £200,995 included within other current liabilities at 1 January 2006 and 31 December 2006 has been reclassified within property, plant and equipment on the basis that it relates to operating lease assets

At 31 December the future minimum rentals receivable under non cancellable operating leases were as follows

	2007 £	2006 £
Receivable within 1 year	8,725,200	2,182,054
Receivable between 1 to 5 years	14,769,054	3,279,657
Receivable after 5 years	1,376	-
<hr/>		
	23,495,630	5,461,711

Generally the Company's operating leases are for terms of 1 to 5 years

Notes to the financial statements

31 December 2007

12. Loans and advances to customers

	2007 £	2006 £
Gross loans and advances to customers	152,530,765	124,229,697
Less allowances for losses on loans and advances	(305,081)	(330,986)
Loans and advances to customers, net	152,225,684	123,898,711
of which		
Due within one year	58,517,134	43,499,346
Due after more than one year	93,708,550	80,399,365
	152,225,684	123,898,711

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

	2007 £	2006 £
Gross investment in hire purchase and finance lease contracts, receivable		
- no later than one year	64,745,954	49,402,110
- later than one year and no later than five years	98,120,741	83,168,126
- later than five years	5,668,059	7,444,222
	168,534,754	140,014,458
Unearned future finance income on hire purchase and finance lease contracts	(16,003,989)	(15,784,761)
Net investment in hire purchase and finance lease contracts	152,530,765	124,229,697
The net investment in hire purchase and finance lease contracts may be analysed as follows		
- no later than one year	58,634,410	43,830,333
- later than one year and no later than five years	89,033,903	74,022,448
- later than five years	4,862,452	6,376,916
	152,530,765	124,229,697

The Company provides a range of finance lease options in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 3 and 15 years.

During 2007 and 2006, no contingent rentals in respect of finance leases were recognised in the Income Statement.

13. Borrowed funds

	2007 £	2006 £
Borrowings from group undertakings (see note 18)	187,454,512	134,818,326

Amounts due to group undertakings are unsecured, and technically repayable on demand, although there is no expectation such a demand would be made. Variable rates based on LIBOR were charged during the year.

Notes to the financial statements

31 December 2007

14. Other current liabilities

	2007 £	Reclassified 2006 £
Other creditors	3,323,787	1,769,636
Derivative financial instruments (see notes 18 and 20)	-	13,400
	3,323,787	1,783,036

The principal derivative financial instruments used by the Company are designated as cash flow hedges and are detailed at note 20.5

An impairment provision of £200,995 included within other current liabilities at 31 December 2006 has been reclassified within property, plant and equipment on the basis that it relates to operating lease assets

15. Deferred tax

The movement in the net deferred tax liability is as follows

	2007 £	2006 £
At 1 January	6,246,249	3,926,831
Income statement charge	2,635,494	2,969,699
Transfer to group	-	(773,352)
Amount debited to equity	(21,087)	123,071
	8,860,656	6,246,249

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

	2007 £	2006 £
Accelerated capital allowances	2,623,038	3,024,155
Other temporary differences	12,456	(54,456)
	2,635,494	2,969,699

Deferred tax liabilities are comprised as follows

	2007 £	2006 £
Deferred tax liability		
- accelerated capital allowances	8,891,940	6,268,902
- other temporary differences	(31,284)	(22,653)
	8,860,656	6,246,249

With effect from 1 April 2008 profit will be charged to corporation tax at the rate of 28% (currently 30%). Accordingly, deferred tax has been provided at 28%.

Within the accelerated capital allowances at 31 December 2007 are net deferred tax liabilities of approximately £3.5m that are expected to be settled in no more than twelve months after the balance sheet date.

Notes to the financial statements

31 December 2007

16. Other reserves

	2007 £
At 1 January 2006	(178,254)
Change in fair value of cash flow hedges	287,164
At 1 January 2007	108,910
Change in fair value of cash flow hedges	(43,109)
At 31 December 2007	65,801

17. Share capital

	2007 £	2006 £
Authorised, allotted, issued and fully paid		
100 ordinary shares of £1 each	100	100

The immediate parent company is Black Horse Finance Holdings 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. Copies of both sets of accounts may be obtained from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.

18. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions and derivative financial instruments. A summary of the outstanding balances at the year end, and related expense and income for the year, are as follows:

	Group and associated companies	
	2007 £	2006 £
Outstanding at 31 December		
From Black Horse Finance Holdings Ltd	2,865,564	462,290
From Lloyds TSB Leasing Ltd	3,000,915	630,515
From Lloyds TSB Leasing (No 4) Limited	-	100,000
From Lloyds TSB Bank plc	39	-
Total due from group companies (see note 10)	5,866,518	1,192,805
To United Dominions Trust Limited	(155,541,901)	(90,467,240)
To Lloyds UDT Limited	(6,799,052)	(13,574,899)
To Lloyds TSB Bank plc	(25,113,559)	(30,776,187)
Total due to group companies (see note 13)	187,454,512	134,818,326
Derivative financial instruments		
Lloyds TSB Bank plc (see note 14)	-	(13,400)
Lloyds TSB Bank plc (see note 10)	91,390	168,986

Notes to the financial statements

31 December 2007

18. Related party transactions (continued)

	2007 £	2006 £
Interest payable		
United Dominion Trust Limited	6,424,195	2,770,836
Lloyds UDT Limited	805,344	1,147,255
Lloyds TSB Bank plc	1,355,076	1,191,752
Total interest payable (see note 4)	8,584,615	5,109,843
Management charge		
Black Horse Limited	2,190,404	1,868,384
Lloyds TSB Bank plc	42,000	40,000
Total management charge (see note 6)	2,232,404	1,908,384

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. 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 activities within these groups.

19. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2006 £nil)

20. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2. A description of the financial assets / liabilities and associated accounting is provided in note 1.

20.1 Credit risk

Credit concentration

The Company lends predominantly to Non-Retail customers geographically located within the United Kingdom. The principal customer segment, Non-Retail, consists predominantly of financing solutions for motor traders and leasing to Corporate customers.

Loans and advances to customers – maximum exposure

	2007 £	2006 £
Neither past due nor impaired	149,914,528	120,952,594
Past due but not impaired	1,961,750	2,055,554
Impaired	349,406	890,563
Maximum exposure – Loans and advances	152,225,684	123,898,711

Notes to the financial statements

31 December 2007

20. Financial risk management (continued)

Loans and advances to customers which are neither past due nor impaired

	2007 £	2006 £
Good quality	37,663,548	39,984,504
Satisfactory quality	90,816,678	68,126,584
Lower quality	18,529,088	12,841,506
Below standard, but not impaired	2,905,214	-
Total	149,914,528	120,952,594

In general, good quality lending comprises those balances with a lower probability to default rating assigned and the rating progressively increases for each category exhibiting a progressively higher probability to default

Loans and advances to customers which are past due but not impaired

	2007 £	2006 £
Past due up to 30 days	1,961,750	2,055,554
Past due up to 30-60 days	-	-
Past due up to 60-90 days	-	-
Total	1,961,750	2,055,554

Past due is defined as failure to make a payment when it falls due

Allowance for loans and advances to customers which are impaired

	2007 Total £	2006 Total £
Brought forward at 1 January	(330,986)	(256,260)
Advances written off	126,709	127,438
Charge for year (including recoveries and unwind of discount)	(100,804)	(202,164)
At 31 December	(305,081)	(330,986)

The criteria used to determine that there is objective evidence of impairment is disclosed in Note 15 All loans and advances were individually assessed for impairment

Renegotiated loans and advances to customers

During the year the Company did not renegotiated loans and advances to customers, which would otherwise have been past due or impaired

Repossessed collateral

At year end the Company did not hold any repossessed collateral in respect of defaulted debt The Company does not take physical possession of any collateral, instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations

20.2 Liquidity risk

The Company is funded entirely by companies within Lloyds TSB Group Such funding is technically repayable within three months, although there is no expectation that such a demand would be made All other financial liabilities are repayable on demand

Notes to the financial statements

31 December 2007

20. Financial risk management (continued)

20.3 Financial strategy

The Company's activities are principally related to the use of financial instruments. However, the Company does not trade in financial instruments.

20.4 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of loans and advances to customers are estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the year end.

The aggregated fair value of loans and advances to customers is approximately £151,014,795 (2006 £120,246,861). The carrying value of all other assets and liabilities is considered an approximation of fair value.

20.5 Derivative financial instruments

	Contract/notional amount £	Fair values Assets £	Liabilities £
31 December 2006			
Interest rate swaps	14,575,450	168,986	13,400
31 December 2007			
Interest rate swaps	19,389,712	91,390	-

To hedge future interest rate payments of group borrowings the Company has designated the above pay fixed, receive variable GBP interest rate swaps as cash flow hedges. The hedged items designated were variable interest payments due in respect of the group borrowings. The aim of the hedge accounting is to transform the variable interest cash flows into fixed rate cash flows.

20.6 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 meets its funding requirements from its fellow group companies and does not raise funding externally.

21. Post balance sheet events

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

Notes to the financial statements

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22. Future IFRS 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

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

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

The Company's view is that this pronouncement is not expected to cause any material adjustments to the reported numbers in the financial statements