United Dominions Leasing Limited

Registered number 824614

Report and Accounts
31 December 2008

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Company information

Directors

Directors	T M Blackwell D J S Oldfield A P White
Secretary	David Jarvis

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 2008

Business review and principal activities

United Dominions Leasing Limited ("the Company") provides of a range of operating and finance lease options for corporate customers. The results for the Company show a profit before tax of £82,226 (2007: loss of £1,379,687) for the year and net interest income of £552,551 (2007: £621,641).

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

Future outlook

The business has performed in line with expectations during the period. A decision was made in June 2008 to discontinue the operating lease business due to unfavourable margins therefore the carrying value of property, plant and equipment will reduce as individual lease agreements expire and assets are disposed of.

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 ("the Division") and are not managed separately for the Company. Further details of the Company's and the Division's risk management policy are contained in note 2 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.

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 amounts to trade creditors as at 31 December 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985 is nil (2007: nil).

Dividends

No dividend was paid during the year ended 31 December 2008 (2007: £nil).

Directors

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

The following changes have taken place during the year:

M P Kilbee	(resigned 30 April 2008)
A P White	(appointed 30 April 2008)

Directors' report (continued)
For the year ended 31 December 2008

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.

The directors confirm that they have complied with the above requirements in preparing these financial statements.

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 JUNE 2009

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

We have audited the financial statements of United Dominions Leasing Limited for the year ended 31 December 2008 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 annual report and 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 other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report and the Company information on page 1. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgements 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 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

One Kingsway
Cardiff
CF10 3PW

30 June 2009

Income statement
For the year ended 31 December 2008

	Note	2008 £	2007 £
Interest and similar income		**12,361,166**	9,206,256
Interest expense and similar charges		**(11,808,615)**	(8,584,615)
Net interest income	4	**552,551**	621,641
Fees and commission expense		**-**	(17,493)
Other operating income		**9,119,924**	4,520,958
Impairment losses on loans and advances		**(165,145)**	(100,804)
Other operating expenses	5	**(9,425,104)**	(6,403,989)
Profit/(loss) before tax		**82,226**	(1,379,687)
Taxation	8	**76,684**	1,068,248
Profit/(loss) for the year attributable to equity shareholders		**158,910**	(311,439)

The notes on pages 9 to 24 are an integral part of these financial statements.

Balance sheet
As at 31 December 2008

	Note	2008 £	Restated 2007 £
ASSETS			
Other current assets	9	**23,440,868**	12,273,023
Loans and advances to customers	10	**234,364,185**	156,960,217
Property, plant and equipment	11	**26,792,562**	34,837,436
Current tax assets		**240,589**	1,986,713
Derivative financial assets	18.5	**-**	91,390
Total assets		**284,838,204**	206,148,779
LIABILITIES			
Borrowed funds	12	**270,889,532**	192,189,045
Other current liabilities	13	**2,831,530**	4,349,847
Deferred tax liabilities	14	**10,089,812**	8,860,656
Derivative financial liabilities	18.5	**660,678**	-
Total liabilities		**284,471,552**	205,399,548
EQUITY			
Share capital	15	**100**	100
Retained earnings		**842,240**	683,330
Other reserves		**(475,688)**	65,801
Total equity		**366,652**	749,231
Total equity and liabilities		**284,838,204**	206,148,779

The notes on pages 9 to 24 are an integral part of these financial statements.

The 2007 comparatives have been restated as explained in note 21.

The financial statements on pages 5 to 24 were approved by the Board of Directors and were signed on its behalf by:

T M Blackwell
Director

30 JUNE 2009

Statement of changes in equity
For the year ended 31 December 2008

	Share capital £	Retained profits £	Other Reserves £	Total £
At 1 January 2007	100	994,769	108,910	**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	683,330	65,801	**749,231**
Profit for the year	-	158,910	-	**158,910**
Changes in fair value of cash flow hedges	-	-	(541,489)	**(541,489)**
At 31 December 2008	**100**	**842,240**	**(475,688)**	**366,652**

The notes on pages 9 to 24 are an integral part of these financial statements.

Cash flow statement

For the year ended 31 December 2008

	2008	Restated 2007
	£	£
Cash flows from operating activities		
Profit/(loss) before tax	**82,226**	(1,379,687)
Adjustments for:		
- interest payable	**11,808,615**	8,584,615
- depreciation	**6,853,174**	3,192,352
- loss on sale of property, plant and equipment	**14,271**	979,233
Changes in operating assets and liabilities:		
- net increase in loans and advances to customers	**(77,403,968)**	(33,061,506)
- net increase in other trade receivables and other debtors	**(415,694)**	(794,619)
- net (decrease)/increase in other creditors	**(1,518,317)**	2,580,211
Cash used in operations	**(60,579,693)**	(19,899,401)
Interest paid	**(11,808,615)**	(8,584,615)
Taxes received via group relief	**3,262,543**	4,594,622
Net cash used in operating activities	**(69,125,765)**	(23,889,394)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,286)**	(29,373,381)
Proceeds from disposal of property, plant and equipment	**1,179,715**	565,769
Net cash from/(used in) investing activities	**1,177,429**	(28,807,612)
Cash flows from financing activities		
Proceeds from balances with group undertakings	**67,485,539**	52,697,006
Net cash flows from financing activities	**67,485,539**	52,697,006
Net movement in cash and cash equivalents	**(462,797)**	-
Cash and cash equivalents at beginning of year	**-**	-
(Overdraft)/cash and cash equivalents at end of year	**(462,797)**	-

The notes on pages 9 to 24 are an integral part of these financial statements.

The 2007 comparatives have been restated as explained in note 21.

Notes to the financial statements
For the year ended 31 December 2008

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.

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2008 and which have not been applied in preparing these financial statements are given in note 22.

The financial statements have been prepared under the historical cost convention.

The Company is reliant on funding ultimately provided by Lloyds TSB Bank plc. Owing to uncertainty in financial markets, Lloyds TSB Bank plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds TSB Bank plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

1.2 Income recognition

Interest income from financial assets

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 of account.

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.

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.

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

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

Where operating lease contracts are extended, in certain pre-specified circumstances, profits from the secondary rentals are shared with a third party as part of a risk sharing agreement. All secondary rentals are recognised within other operating income and any related direct cost is charged to operating expenses.

1. Accounting policies (continued)

1.3 Financial assets and liabilities

Financial assets comprise amounts due from group undertakings, loans and advances to customers, trade receivables 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 cash flows, or obligations to pay cash flows, have expired. Interest bearing financial assets and liabilities are recognised at amortised cost inclusive of transaction costs, using the effective interest rate method.

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 leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within loans and advances to customers.

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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2008

1. Accounting policies (continued)

1.5 Impairment (continued)

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.

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.

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.

1.6 Property, plant and equipment

Property, plant and equipment represent assets leased by the Company under operating leases. Such assets are included at historical purchase cost less depreciation and any impairment allowance. Depreciation is calculated using the straight-line method to allocate the difference between the cost and residual value over the period of the lease.

Future rates of depreciation are reassessed each year in light of changes to anticipated residual values, and are amended as required.

1.7 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.

1.8 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 Banking Group plc (formerly Lloyds TSB Group plc). Interest rate hedges are used to mitigate interest rate risk relating to a proportion of the Company's intercompany borrowings. The remaining interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by Asset Finance Division credit committees and credit functions.

2. Risk management policy (continued)

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 and operating leases is managed through the application of strict underwriting criteria, determined by the Lloyds TSB Asset Finance Division 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 counterparties using internal rating models tailored to the various categories of counterparty. 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.

- 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. Through intercompany funding arrangements, the Company has effectively transferred most of its exposure to changes in interest rates to other companies within the Lloyds Banking Group.

In respect of a particular portfolio of larger leases, however, the Company has managed interest rate risk through use of interest rate swaps which convert interest payable on group borrowings from floating to fixed rate in order to match the fixed rentals receivable on the Company's operating and finance lease books.

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 Banking Group.

Liquidity risks are managed as part of the Lloyds Banking 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.

3. Critical accounting estimates and judgements in applying accounting policies (continued)

Impairment of assets accounted for at amortised cost

The Company regularly reviews its finance lease 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 involves consideration of factors such as the length of time that the customers' accounts have been delinquent, historical loss rates and the value of any collateral held in order to determine expected future cash flows. The variables used 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.

Operating lease assets
The Company 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.

4. Net interest income

	2008 £	2007 £
Interest income		
From finance lease contracts	**12,361,166**	9,206,256
Interest expense		
Group interest expense (see note 16)	**(11,808,615)**	(8,584,615)
Net interest income	**552,551**	621,641

5. Other operating expenses

	2008 £	2007 £
Depreciation	**6,853,174**	3,192,352
Management fees (see note 16)	**2,557,659**	2,232,404
Loss on disposal of property, plant and equipment	**14,271**	979,233
	9,425,104	6,403,989

Fees payable to the Company's Auditors for the audit of the financial statements of £8,000 (2007: £2,000) have been borne by a fellow subsidiary.

6. Staff costs

The Company did not employ any persons during the year (2007: none). Accounting and administration services were provided by a fellow subsidiary.

7. Directors' emoluments

No director received any fees or emoluments during the year (2007: £nil). The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 16).

8. Taxation

	2008 £	2007 £
a) Analysis of credit for the year		
UK corporation tax:		
- current tax credit for the year	**(513,695)**	(2,259,822)
- adjustments in respect of prior years	**(1,002,724)**	(1,443,920)
Current tax credit	**(1,516,419)**	(3,703,742)
Deferred tax charge (see note 14)	**1,439,735**	2,635,494
	(76,684)	(1,068,248)

The credit for tax on the profit/(loss) for the year is based on an effective UK corporation tax rate of 28.5% (2007: 30%), as the standard corporation tax rate changed from 30% to 28%, effective 1 April 2008.

b) Factors affecting the tax credit for the year

A reconciliation of the charge/(credit) that would result from applying the standard UK corporation tax rate to profit/(loss) before tax to the tax credit for the year is given below:

	2008 £	2007 £
Profit/(loss) before tax	**82,226**	(1,379,687)
Tax charge/(credit) thereon at UK corporation tax rate of 28.5% (2007: 30%)	**23,434**	(413,906)
Factors affecting charge/(credit):		
- adjustment in respect of prior years	**(90,693)**	(23,194)
- effect of reduction in tax rate	**(9,425)**	(631,148)
Tax on profit/(loss) on ordinary activities	**(76,684)**	(1,068,248)
Effective rate	**(93.3%)**	77.4%

9. Other current assets

	2008 £	Restated 2007 £
Trade receivables	**501,590**	1,007,347
Amounts due from group undertakings (see note 16)	**16,618,669**	5,866,518
Other debtors	**6,320,609**	5,399,158
	23,440,868	12,273,023

Trade receivables represent amounts falling due within one year. Amounts due from group undertakings are unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made.

The 2007 comparatives have been restated as explained in note 21.

10. Loans and advances to customers

	2008 £	Restated 2007 £
Gross loans and advances to customers	**234,799,944**	157,265,298
Less: allowance for losses on loans and advances	**(435,759)**	(305,081)
Loans and advances to customers, net	**234,364,185**	156,960,217
of which:		
Due within one year	**78,117,716**	59,623,245
Due after more than one year	**156,246,469**	97,336,972
	234,364,185	156,960,217

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

	2008 £	2007 £
Gross investment in hire purchase and finance lease contracts, receivable:		
- no later than one year	**87,812,790**	66,152,824
- later than one year and no later than five years	**170,189,687**	103,876,401
- later than five years	**5,346,749**	5,668,059
	263,349,226	175,697,284
Unearned future finance income on hire purchase and finance lease contracts	**(28,549,282)**	(18,431,986)
Net investment in hire purchase and finance lease contracts	**234,799,944**	157,265,298
The net investment in hire purchase and finance lease contracts may be analysed as follows:		
- no later than one year	**78,262,962**	59,739,134
- later than one year and no later than five years	**151,855,685**	92,663,712
- later than five years	**4,681,297**	4,862,452
	234,799,944	157,265,298

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 2008 and 2007, no contingent rentals in respect of finance leases were recognised in the income statement.

The 2007 comparatives have been restated as explained in note 21.

Notes to the financial statements (continued)
For the year ended 31 December 2008

11. Property, plant and equipment

	£
Cost:	
At 1 January 2007	19,933,286
Additions	29,373,381
Disposals	(6,260,028)
At 31 December 2007	43,046,639
Additions	2,286
Disposals	(5,668,738)
At 31 December 2008	**37,380,187**
Accumulated depreciation	
At 1 January 2007	9,731,877
Charge for the year	3,192,352
Disposals	(4,715,026)
At 31 December 2007	8,209,203
Charge for the year	6,853,174
Disposals	(4,474,752)
At 31 December 2008	**10,587,625**
Balance sheet amount at 31 December 2008	**26,792,562**
Balance sheet amount at 31 December 2007	34,837,436

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

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

	2008	2007
	£	£
Receivable within 1 year	**7,890,851**	8,725,200
Receivable between 1 to 5 years	**6,614,946**	14,769,054
Receivable after 5 years	**-**	1,376
	14,505,797	23,495,630

The Company's operating leases are typically for terms of 1 to 5 years.

Notes to the financial statements (continued)

For the year ended 31 December 2008

12. Borrowed funds

	2008 £	Restated 2007 £
Bank overdraft (see note 16)	**462,797**	-
Borrowings from group undertakings (see note 16)	**270,426,735**	192,189,045
	270,889,532	192,189,045

Amounts due to group undertakings are unsecured, interest bearing at variable rates based on LIBOR and repayable on demand, although there is no expectation such a demand would be made.

The 2007 comparatives have been restated as explained in note 21.

13. Other current liabilities

	2008 £	Restated 2007 £
Other creditors	**2,831,530**	4,349,847

The 2007 comparatives have been restated as explained in note 21.

14. Deferred tax

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

	2008 £	2007 £
At 1 January	**8,860,656**	6,246,249
Income statement charge (see note 8)	**1,439,735**	2,635,494
Amount debited to equity – cash flow hedges	**(210,579)**	(21,087)
At 31 December	**10,089,812**	8,860,656

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

	2008 £	2007 £
Accelerated capital allowances	**1,433,352**	2,623,038
Other temporary differences	**6,383**	12,456
	1,439,735	2,635,494

Notes to the financial statements (continued)

For the year ended 31 December 2008

14. Deferred tax (continued)

Deferred tax liabilities comprise:

	2008 £	2007 £
Accelerated capital allowances	**10,325,292**	8,891,940
Other temporary differences	**(235,480)**	(31,284)
	10,089,812	8,860,656

With effect from 1 April 2008 profits have been charged to corporation tax at the rate of 28% (previously 30%). Accordingly, deferred tax has been provided at 28%.

Within the deferred tax liability at 31 December 2008 are net deferred tax liabilities of approximately £3,520,000 (2007: £3,500,000) that are expected to be settled in no more than twelve months after the balance sheet date.

15. Share capital

	2008 £	2007 £
Authorised, allotted, issued and fully paid		
100 ordinary shares of £1 each	**100**	100

The immediate parent company is Black Horse Finance Holdings Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Lloyds TSB Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the accounts of both companies may be obtained from the Company Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

16. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited.

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 for the year are as follows:

	2008 £	Restated 2007 £
Amounts due from group undertakings		
Black Horse Finance Holdings Limited	**7,184,420**	2,865,564
Black Horse Limited	**6,231,135**	-
Lloyds TSB Leasing Limited	**3,203,114**	3,000,915
Lloyds TSB Bank plc	**-**	39
Total amounts due from group undertakings (see note 9)	**16,618,669**	5,866,518
Amounts due to group undertakings		
United Dominions Trust Limited	**(242,853,897)**	(160,276,434)
Lloyds UDT Limited	**(7,283,404)**	(6,799,052)
Lloyds TSB Bank plc	**(20,289,434)**	(25,113,559)
Total amounts due to group undertakings (see note 12)	**(270,426,735)**	(192,189,045)

16. Related party transactions (continued)

	2008 £	2007 £
Overdraft held with group undertaking		
Lloyds TSB Bank plc (see note 12)	**(462,797)**	-
Derivative financial instruments		
Lloyds TSB Bank plc (see note 18.5)	**(660,678)**	91,390
Interest payable		
United Dominion Trust Limited	**9,828,615**	6,424,195
Lloyds UDT Limited	**879,368**	805,344
Lloyds TSB Bank plc	**1,100,632**	1,355,076
Total interest payable (see note 4)	**11,808,615**	8,584,615
Management fees		
Black Horse Limited	**2,290,520**	2,190,404
Lloyds UDT Limited	**180,139**	-
Lloyds TSB Bank plc	**87,000**	42,000
Total management fees (see note 5)	**2,557,659**	2,232,404

The 2007 comparatives have been restated as explained in note 21.

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 Lloyds TSB Asset Finance Division Limited 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 Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group.

17. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2007: £nil).

18. 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.

18.1 Credit risk

Trade receivables

The Company provides operating lease arrangements to customers geographically located within the United Kingdom. The maximum exposure to trade receivables at the year end is £501,590 (2007: £1,007,347), all of which are past due up to 30 days. Past due is defined as failure to make a payment when it falls due. No trade receivables are considered to be impaired (2007: £nil).

Loans and advances to customers

Credit concentration

The Company lends predominantly to wholesale customers (being motor traders and corporate customers) geographically located in the United Kingdom.

Loans and advances to customers – maximum exposure

	2008 £	Restated 2007 £
Neither past due nor impaired	**231,017,999**	154,954,142
Past due but not impaired	**1,145,598**	1,961,750
Impaired	**2,636,347**	349,406
Maximum exposure – loans and advances	**234,799,944**	157,265,298

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

	2008 £	Restated 2007 £
Good quality	**30,464,117**	37,663,548
Satisfactory quality	**181,020,648**	95,856,292
Lower quality	**18,439,706**	18,529,088
Below standard, but not impaired	**1,093,528**	2,905,214
Total	**231,017,999**	154,954,142

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.

The 2007 comparatives have been restated as explained in note 21.

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

	2008 £	2007 £
Past due up to 30 days	**1,145,598**	1,961,750
Past due from 30-60 days	**-**	-
Past due from 60-90 days	**-**	-
Total	**1,145,598**	1,961,750

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

18. Financial risk management (continued)

18.1 Credit risk (continued)

Allowance for loans and advances to customers which are impaired

	2008 Total £	2007 Total £
Brought forward at 1 January	**(305,081)**	(330,986)
Advances written off	**34,467**	126,709
Charge for year (including recoveries and unwind of discount)	**(165,145)**	(100,804)
At 31 December	**(435,759)**	(305,081)

The criteria used to determine that there is objective evidence of impairment are disclosed in Note 1.5. All loans and advances were individually assessed for impairment.

Renegotiated loans and advances to customers

During the year the Company did not renegotiate loans and advances to customers, which would otherwise have been past due or impaired (2007: £nil).

Repossessed collateral

Collateral held against loans and advances to customers is principally comprised of motor vehicles and other plant and machinery. 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.

Due to the nature and volume of the assets held as collateral it is impracticable to estimate the fair value of collateral held at the year end in respect of loans and advances to customers.

During the year the Company did not repossess any collateral in respect of defaulted debt (2007: £nil).

18.2 Liquidity risk

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

18.3 Financial strategy

The Company does not trade in financial instruments.

18.4 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 balance sheet date.

The aggregated fair value of loans and advances to customers is approximately £237,620,000 (2007: £155,750,000). The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

18. Financial risk management (continued)

18.5 Derivative financial instruments

	Contract/notional amount	Fair Value Assets	Fair Value Liabilities
	£	£	£
31 December 2008			
Interest rate swaps	**14,579,305**	**-**	**660,678**
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.

19. 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.

20. Post balance sheet events

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

Notes to the financial statements (continued)

For the year ended 31 December 2008

Restatement of comparatives

The following items have been restated in the 2007 comparatives:

	Restated	Previously Reported
	£	£
Balance Sheet		
Assets		
Other current assets	**12,273,023**	11,246,963
Loans and advances to customers	**156,960,217**	152,225,684
Liabilities		
Borrowed funds	**(192,189,045)**	(187,454,512)
Other current liabilities	**(4,349,847)**	(3,323,787)
	(27,305,652)	(27,305,652)

Restatement of comparatives

During 2008, errors in the cut-off of reflecting new business contracts in the underlying system were discovered. This led to an understatement of loans and advances to customers and borrowed funds of £4,734,533 at 31 December 2007.

A prior period adjustment has been posted to correct the errors relating to this matter.

The restatement has had £nil impact on the profit/(loss) before or after tax, £nil impact on net assets and has increased both cash used in operations and cash from financing activities by £4,734,533.

Reclassification of comparatives

A balance of £1,026,060 relating to operating lease rental debtors in arrears included within other current liabilities at 31 December 2007 has been reclassified to other current assets.

The reclassification has had £nil impact on the profit/(loss) before or after tax, £nil impact on net assets and £nil impact on cash used in operations.

Notes to the financial statements (continued)

For the year ended 31 December 2008

22. Future developments

The following pronouncements will be relevant to the Company, but were not effective at 31 December 2008 and have not been applied in preparing these financial statements:

Pronouncements	Nature of change	Effective date
IAS 1 *Presentation of Financial Statements*	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.
Improvements to IFRSs	Sets out minor amendments to IFRS standards as part of annual improvements process.	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2009.
Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*[1,2]	Clarifies how the principles underlying hedge accounting should be applied in particular situations	Annual periods beginning on or after 1 July 2009

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

2. Subject to EU endorsement, the Company has not yet made a final decision as to whether it will apply these pronouncements in the 2009 financial statements.

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