LLOYDS COMMERCIAL LEASING LIMITED

30 SEPTEMBER 2008

1367545

Member of Lloyds Banking Group

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming (Alternate: A M Basing)
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED NUMBER

1367545

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year, the principal activity of the company was the leasing of plant and equipment through finance lease transactions and the holding of an investment in a limited partnership and this is likely to continue for the foreseeable future. The directors consider the results for the year to be satisfactory.

The results of the company show a profit before tax of £2,090,000 (2007: £1,511,000) for the year as set out in the income statement on page 5. The company has a net deficit on shareholder's equity of £2,543,000 (2007: £3,879,000).

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.

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2007: £nil).

DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year and since the year ended:

	Appointed	Resigned/ceased to be a director
P Higgins		16 May 2008
A B Vowles		21 May 2008
R A Isaacs	23 May 2008	

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that 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

In the case of each director in office at the date the directors' report is approved:

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

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note '17 – Risk management of financial instruments' 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

REPORT OF THE DIRECTORS

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department of Business, Enterprise & Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR Publications Orderline 0845-0150010 (quoting ref. URN 04/606).

The company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

As the company owed no amounts to trade creditors at 30 September 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

On behalf of the board

S Slattery
Secretary

24 June 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS COMMERCIAL LEASING LIMITED

We have audited the financial statements of Lloyds Commercial Leasing Limited for the year ended 30 September 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholder's 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 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 30 September 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

The Quay
30 Channel Way
Ocean Village
Southampton
SO14 3QG

15 July 2009

INCOME STATEMENT
For the year ended 30 September 2008

	Note	2008 £000	2007 £000
Income from partnerships	2	2,549	3,796
Finance income	3	3,702	2,629
Finance costs	4	(4,061)	(4,414)
		2,190	2,011
Impairment charge	5	-	(374)
Administration expenses		(100)	(126)
Profit before tax	6	2,090	1,511
Taxation (charge)/credit	7	(843)	1,473
Profit for the year		1,247	2,984

The accompanying notes are an integral part of the Financial Statements.

BALANCE SHEET
As at 30 September 2008

	Note	2008 £000	2008 £000	2007 £000	2007 £000
Assets					
Non-current assets					
Investment in limited partnerships	8	26,488		27,525	
Finance lease receivables	9	38,526	65,014	47,076	74,601
Current assets					
Finance lease receivables	9	8,550		7,684	
Amounts owed by group companies	10	4,320		478	
Other debtors		56	12,926	6,401	14,563
Total assets			77,940		89,164
Liabilities					
Current liabilities					
Amounts owed to group companies	11	58,048		66,673	
Other creditors		380	58,428	-	66,673
Non-current liabilities					
Deferred taxation	13		22,055		26,370
Total liabilities			80,483		93,043
Equity					
Share capital	14	100		100	
Other reserves	15	(1,446)		(1,535)	
Retained earnings	16	(1,197)	(2,543)	(2,444)	(3,879)
Total liabilities and equity			77,940		89,164

The directors approved the accounts on 24 June 2009.

J M Herbert
Director

The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 September 2006	14,15,16	100	(2,459)	(5,428)	(7,787)
Profit for the year	16	-	-	2,984	2,984
Changes in fair value of derivatives	15	-	924	-	924
Balance at 30 September 2007	14,15,16	100	(1,535)	(2,444)	(3,879)
Profit for the year	16	-	-	1,247	1,247
Changes in fair value of derivatives	15	-	89	-	89
Balance at 30 September 2008	14,15,16	100	(1,446)	(1,197)	(2,543)

The accompanying notes are an integral part of the Financial Statements.

CASH FLOW STATEMENT
For the year ended 30 September 2008

	Note	2008 £000	2007 £000
Net cash flow from operating activities	18	7,281	(6,433)
Investing activities			
Distribution of partners' capital		1,037	1,035
Net cash flow from investing activities		1,037	1,035
Net movement in cash and cash equivalents		8,318	(5,398)
Cash and cash equivalents at the beginning of the year		(3,998)	1,400
Cash and cash equivalents at the end of the year	10,11	4,320	(3,998)

The accompanying notes are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative contracts, on the basis of IFRS.

In preparing these financial statements the company has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of financial statements – Capital Disclosures. The adoption of IFRS 7 and IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accountin; policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

- Impairment

The company regularly reviews the portfolio of financial assets for impairment. In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or 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 repayments or values of underlying assets. Where this is the case, the impairment loss is measured in accordance with note 1(c) below

(a) Investments in limited partnerships

Income from investments in limited partnerships is recognised when received. Distributions in excess of partnership profits are treated as a reduction of partnership investment.

(b) Leases

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

When assets are leased under a finance lease the amount due from a lessee is recorded as a receivable at the present value of the lease payments being the company's net investment in the lease. 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 a finance lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

(c) Impairment

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.

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 the estimated future cash flows discounted at the asset's implicit rate in the lease.

(d) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which 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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(e) Fair value

The fair value of the finance lease receivables is derived from a present value cash flow model of expected cash flows from the lease using current market interest rates and margin for the risks inherent in the lease.

(f) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

(g) Derivative financial instruments

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

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. 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 company designates derivatives as hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges).

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.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily

2 Income from partnerships

Income from partnerships represents the partnership profit attributable to the company based on its share of the partnership profit as defined in the partnership agreement.

3 Finance Income

	2008 £000	2007 £000
Finance lease rental income	3,702	2,629

Finance income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

4 Finance costs

	2008 £000	2007 £000
Interest payable on bank loans and overdrafts to other group companies	4,061	4,414

NOTES TO THE FINANCIAL STATEMENTS

5 Impairment charge

	2008 £000	2007 £000
Tax rate variation	-	374

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect 1 April 2008.

The change in corporation tax rate has given rise to a reduction in deferred taxation and, because of tax rate variation clauses in the leases, a reduction in the lease rentals. This reduction in rentals has given rise to a reduction in the interest rate implicit within the lease which when applied retrospectively, has produced a one off impairment of the finance lease receivables during the year ending 30 September 2007.

6 Profit before tax

Audit fees for the company are borne by the immediate parent company; the audit fee attributed to this company for the year was £8,500 (2007: £2,800). The company has no employees and the directors received no remuneration in respect of their services to the company.

7 Taxation (charge)/credit

	2008 £000	2007 £000
The (charge)/credit for the year comprises:		
Group relief (payable)/receivable on current taxation profit for the year	(2,740)	517
Adjustment in respect of prior year	(2,453)	(185)
Total group relief (payable)/receivable for the year	(5,193)	332
Deferred taxation (Note 13)	2,061	956
Adjustment in respect of prior year	2,289	185
Total taxation (charge)/credit for the year	(843)	1,473

Taxation on the company's profit for the year did differ from the taxation charge that would arise using the standard rate of corporation tax of 29% (2007: 30%). The differences are explained below:

	2008 £000	2007 £000
Profit before taxation	2,090	1,511
Taxation charge at the standard rate of corporation tax	(606)	(453)
Impact of tax rate change	(237)	1,926
Total taxation (charge)/credit for the year	(843)	1,473

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect from 1 April 2008. The impact of this change on the financial accounts for the year ending 30 September 2007 is to recognise a one off adjustment to the deferred taxation liability reflecting the adjustment required to remeasure the deferred taxation liability at a lower rate of tax for the remaining life of the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

8 Investments in limited partnerships

This represents the company's investment, at cost, of a 99.996% interest as a limited partner in The HUAL Carolita Limited Partnership, a UK limited partnership, which carries on business as an owner and charterer of a ship. The results of the limited partnership are consolidated in the group accounts of Lloyds Banking Group plc, which has a financial year ended 31 December 2008.

	2008 £000	2007 £000
At beginning of the year	27,525	28,560
Repayment of partnership capital	(1,037)	(1,035)
At end of the year	26,488	27,525

9 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts receivable under finance leases:				
Within 1 year	11,687	11,370	8,550	7,684
2 - 5 years inclusive	17,167	24,562	7,653	14,094
After 5 years	42,914	47,206	30,873	32,982
	71,768	83,138	47,076	54,760
Less: unearned finance income	(24,692)	(28,378)		
Present value of minimum lease payments receivable	47,076	54,760		

	2008 £000	2007 £000
Analysed as:		
Non-current finance lease receivables	38,526	47,076
Current finance lease receivables	8,550	7,684
	47,076	54,760

The fair value of the company's finance lease receivables at 30 September 2008 is estimated at £48 million (2007: £56 million).

10 Amounts owed by group companies

	2008 £000	2007 £000
Cash at bank	4,320	-
Group relief receivable	-	478
	4,320	478

For further details please refer to note 19.

NOTES TO THE FINANCIAL STATEMENTS

11 Amounts owed to group companies

	2008 £000	2007 £000
Bank overdraft	-	3,998
Group relief payable	2,120	-
Management fees payable	100	-
Bank borrowings	53,539	60,213
Interest payable	281	330
Derivative financial instruments (Note 12)	2,008	2,132
	58,048	66,673

For further details please refer to note 19.

12 Derivative financial instruments

Derivative financial instruments include interest rate swaps. An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts. The fair values of these derivative financial instruments are based on discounted cash flow models and as at 30 September 2008.

The principal derivatives used by the company are designated as cash flow hedges and are detailed below.

	Contract/notional amount £000	Fair values Liabilities £000
30 September 2008		
Interest rate swaps	30,835	2,008
30 September 2007		
Interest rate swaps	36,889	2,132

NOTES TO THE FINANCIAL STATEMENTS

13 Deferred taxation

	2008 £000	2007 £000
At beginning of the year	26,370	27,054
Deferred taxation charge for the year	(2,061)	(956)
Adjustment in respect of prior year	(2,289)	(185)
Movement in other reserves	35	457
At end of the year	22,055	26,370

The deferred taxation charge in the income statement comprises the following differences:

	2008 £000	2007 £000
Accelerated tax depreciation	(2,061)	970
Adjustment in respect of prior year	(2,289)	(185)
Impact of tax rate change	-	(1,926)
Total deferred taxation charge	(4,350)	(1,141)

Deferred taxation assets and liabilities are comprised as follows:

	2008 £000	2007 £000
Deferred taxation assets		
Cash flow hedges	562	597
Deferred taxation liabilities		
Accelerated tax depreciation	22,617	26,967

14 Share capital

	2008 £000	2007 £000
Authorised, allotted and issued:		
Ordinary shares of £1 each	100	100

The company's immediate parent company is Lloyds TSB Leasing Limited. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Group plc), a limited liability company incorporated and domiciled 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 company of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street London, EC2V 7HN.

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 majority shareholder manages the company's capital structure and makes 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 company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in equity and bank borrowings as disclosed in note 11.

NOTES TO THE FINANCIAL STATEMENTS

15 Other reserves

	2008 £000	2007 £000
At beginning of the year	(1,535)	(2,459)
Change in fair value of cash flow hedges	124	1,381
Deferred taxation thereon	(35)	(414)
Impact of tax rate change	-	(43)
At end of the year	(1,446)	(1,535)

16 Retained earnings

	2008 £000	2007 £000
At beginning of the year	(2,444)	(5,428)
Profit for the year	1,247	2,984
At end of the year	(1,197)	(2,444)

17 Risk management of financial instruments

The primary financial risks affecting the company are: credit risk and liquidity risk and market risk (which include interest rate risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS 39 "Financial instruments: Recognition and measurement" finance lease receivables are designated as loans and receivables and all other financial assets and liabilities are designated as held at amortised cost. The accounting policies note 1 describes how different classes of financial instruments are measured and how income and expenses, including fair value gains and losses are recognised.

Credit risk management:

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to the balance sheet carrying amount as at 30 September 2008.

Financial assets which are neither past due nor impaired:	2008 £000	2007 £000
Finance lease receivables	47,076	54,760
Cash at bank	4,320	-
Other debtors	56	6,401
Total credit risk exposure	51,452	61,161

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc). Each financial asset is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

17 Risk management of financial instruments (continued)

Financial assets by credit rating:

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
As at 30 September 2008	£000	£000	£000	£000	£000	£000	£000
Finance lease receivables	40,145	6,931	-	-	-	-	47,076
Cash at bank	4,320	-	-	-	-	-	4,320
Other debtors	-	-	-	-	-	56	56
Total	44,465	6,931	-	-	-	56	51,452

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
As at 30 September 2007	£000	£000	£000	£000	£000	£000	£000
Finance lease receivables	41,664	13,096	-	-	-	-	54,760
Cash at bank	-	-	-	-	-	-	-
Other debtors	-	-	-	-	-	6,401	6,401
Total	41,664	13,096	-	-	-	6,401	61,161

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in lease rentals or debt restructurings to reduce the financial burden on the lessee.

As at the 30 September 2008 and 2007 there were no impairments relating to credit risk against the financial assets nor any lease receivables past due on scheduled lease payments. The company's credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

Liquidity risk management

	Bank overdraft	Bank borrowings	Other liabilities	Total liabilities
At 30 September 2008	£000	£000	£000	£000
On demand	-	-	2,600	2,600
Up to 1 Month	-	22,016	-	22,016
1 - 3 Months	-	31,804	-	31,804
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	-	53,820	2,600	56,420

	Bank overdraft	Bank borrowings	Other liabilities	Total liabilities
At 30 September 2007	£000	£000	£000	£000
On demand	3,998	-	-	3,998
Up to 1 Month	-	23,632	-	23,632
1 - 3 Months	-	36,911	-	36,911
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	3,998	60,543	-	64,541

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking. Other liabilities are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

17 Risk management of financial instruments (continued)

Interest rate risk management

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of the lease rentals payable by the counterparty on the finance lease receivables are matched to the terms of its borrowings.

Where interest rate risk is not covered by the structure of the assets and liabilities the company, where required, will enter into interest rate swap transactions to hedge against any cash flow interest rate risk.

Interest rate sensitivity analysis – Impact on income statement

	Carrying amount £000	+25 bp £000	-25 bp £000
Financial assets			
Finance lease receivables	47,076	118	(118)
Cash at bank	4,320	11	(11)
Impact of taxation (29%)		(37)	37
Impact on financial assets after tax		92	(92)
Financial liabilities			
Bank borrowings	53,539	134	(134)
Impact of taxation (29%)		(39)	39
Impact on financial liabilities after tax		95	(95)
Total volatility of financial instruments		(3)	3

The degree of interest rate sensitivity is based on the minimum movement in base rate levels as applied by the Bank of England's Monetary Policy Committee.

Currency risk

The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk.

18 Notes to the cash flow statement

	2008 £000	2007 £000
Profit from operations	2,090	1,511
Operating cash flows before movements in working capital	2,090	1,511
Movement in receivables	14,028	991
Movement in payables	(6,242)	(7,402)
Cash generated by operations	9,876	(4,900)
Group relief paid	(2,595)	(1,533)
Net cash flow from operating activities	7,281	(6,433)

NOTES TO THE FINANCIAL STATEMENTS

19 Related party transactions

In respect of related party transactions, the outstanding balances receivable/(payable) as at 30 September were as follows:

Nature of transaction	Related party	2008 £000	2007 £000
Cash at bank/(bank overdraft)	Fellow subsidiary undertaking	4,320	(3,998)
Group relief (payable)/receivable	Fellow subsidiary undertaking	(2,120)	478
Management fees payable	Intermediate parent undertaking	(100)	-
Bank borrowings	Fellow subsidiary undertaking	(53,539)	(60,213)
Interest payable	Fellow subsidiary undertaking	(281)	(330)
Derivative financial instruments	Fellow subsidiary undertaking	(2,008)	(2,132)

Bank borrowings are interest bearing and during the year rates of interest of up to 6.30% (2007: 7.33%) were charged. Finance costs of £4,061,000 (2007: £4,414,000) were incurred during the year.

The company accrued a management fee of £100,000 (2007: £126,000) to its immediate parent company, Lloyds TSB Leasing Limited, during the year.

The company paid group relief of £2,595,000 (2007: £1,533,000) during the year to Lloyds TSB Bank plc.

20 Future developments

The following accounting standard changes will impact the company in the next financial period:

Pronouncement	Nature of change	Effective date
Revised IAS1	Introduces changes to the presentation of the balance sheet, income statement and cash flow statement.	Annual periods beginning on or after 1 January 2009.

The full impact of this pronouncement is being assessed by the company, this pronouncement is not expected to cause any material impact to the financial statements.