

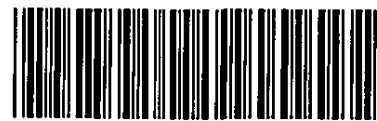
LLOYDS COMMERCIAL LEASING LIMITED

30 September 2009

Member of Lloyds Banking Group

1367545

THURSDAY



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COMPANIES HOUSE

LLOYDS COMMERCIAL LEASING LIMITED

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming
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 results of the company show a profit before taxation of £2,105,000 (2008 £2,090,000) for the year as set out in the income statement on page 5. The company has a net deficit on shareholder's equity of £1,946,000 (2008 £2,543,000)

The company is reliant on funding ultimately provided by Lloyds TSB Bank plc. Notwithstanding the improvement in market liquidity during 2009, the company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position. The directors are satisfied that it is the intention of Lloyds Banking Group 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 (2008 £nil)

DIRECTORS

The names of the directors of the company are shown on page 1. The following change in directors has taken place during the year:

Resigned/ceased to be a
director

A M Basing

7 September 2009

No director had any interest in any material contract or arrangement with the company during or at the end of the year.

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the Directors' Report and 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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 '16 – 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 for Business Innovation and Skills (BIS), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS 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 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil.

On behalf of the board



S Slattery
Secretary

23 June 2010

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 2009 which comprise the Income Statement, the Balance sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement (set out on page 2), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Williamson
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Hay's Galleria
1 Hays Lane
London
SE1 2RD

23 June 2010

LLOYDS COMMERCIAL LEASING LIMITED

INCOME STATEMENT

For the year ended 30 September 2009

	Note	2009 £000	2008 £000
Income from partnerships	2	2,073	2,549
Finance income	3	3,151	3,702
Finance costs	4	(2,968)	(4,061)
		<hr/>	<hr/>
		2,256	2,190
Administration expenses		(151)	(100)
		<hr/>	<hr/>
Profit before taxation	5	2,105	2,090
Taxation charge	6	(589)	(843)
		<hr/>	<hr/>
Profit for the year		1,516	1,247
		<hr/>	<hr/>

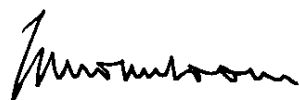
The accompanying notes are an integral part of the Financial Statements

LLOYDS COMMERCIAL LEASING LIMITED

BALANCE SHEET
As at 30 September 2009

	Note	2009		2008	
		£000	£000	£000	£000
Assets					
Non-current assets					
Investment in limited partnership	7	25,453		26,488	
Finance lease receivables	8	36,799	62,252	38,526	65,014
Current assets					
Finance lease receivables	8	1,727		8,550	
Amounts owed by group companies	9	7,261		4,320	
Other debtors		-	8,988	56	12,926
Total assets			71,240		77,940
Liabilities					
Current liabilities					
Amounts owed to group companies	10	53,523		58,048	
Other creditors		505	54,028	380	58,428
Non-current liabilities					
Deferred taxation	12		19,159		22,055
Total liabilities			73,187		80,483
Equity					
Share capital	13	100		100	
Other reserves	14	(2,366)		(1,446)	
Retained earnings	15	319	(1,947)	(1,197)	(2,543)
Total liabilities and equity			71,240		77,940

The directors approved the accounts on 23 June 2010



T J Cooke
Director

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The accompanying notes are an integral part of the Financial Statements

LLOYDS COMMERCIAL LEASING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 September 2007	13,14,15	100	(1,535)	(2,444)	(3,879)
Profit for the year	15	-	-	1,247	1,247
Change in fair value of derivatives	14	-	89	-	89
Balance at 30 September 2008	13,14,15	100	(1,446)	(1,197)	(2,543)
Profit for the year	15	-	-	1,516	1,516
Change in fair value of derivatives	14	-	(920)	-	(920)
Balance at 30 September 2009	13,14,15	100	(2,366)	319	(1,947)

The accompanying notes are an integral part of the Financial Statements

LLOYDS COMMERCIAL LEASING LIMITED

CASH FLOW STATEMENT

For the year ended 30 September 2009

	Note	2009 £000	2008 £000
Net cash flow from operating activities	17	1,906	7,281
Investing activities			
Distribution of partners' capital		1,035	1,037
Net cash flow from investing activities		1,035	1,037
Net movement in cash and cash equivalents		2,941	8,318
Cash and cash equivalents at beginning of the year		4,320	(3,998)
Cash and cash equivalents at end of the year		7,261	4,320
Cash and cash equivalents are comprised of			
Cash at bank	9	4,045	4,320
Bank deposits	9	3,216	-
		7,261	4,320

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

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 accounting 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 in accordance with the partnership agreement. 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 the lessee, all other leases are classified as operating leases

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. Fees and commissions received are deferred and recognised as an adjustment to the effective interest rate on the lease 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

The criteria that the company uses to determine that there is objective evidence of an impairment loss include

- Delinquency in contractual payments of principal and/or interest,
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty,
- Restructuring of debt to reduce the burden on the borrower,
- Breach of loan covenants or conditions, and
- Initiation of bankruptcy or individual voluntary arrangement proceedings

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(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 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 utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(e) Dividends

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

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months.

(g) Fair value

The fair value of 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.

(h) 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.

Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement.

Derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

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. Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship 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.

LLOYDS COMMERCIAL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

4 Finance costs

	2009 £000	2008 £000
Interest payable on bank loans to other group companies	2,968	4,061

5 Profit before taxation

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 (2008 £8,500) The company has no employees and the directors received no remuneration in respect of their services to the company

6 Taxation charge

	2009 £000	2008 £000
The charge for the year comprises		
Group relief payable on current taxation profit for the year	(3,128)	(2,740)
Adjustment in respect of prior year	1	(2,453)
Total group relief payable for year	(3,127)	(5,193)
Deferred taxation (Note 12)	2,539	2,061
Adjustment in respect of prior year	(1)	2,289
Total taxation charge for the year	(589)	(843)

Where taxation on the company's profit for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 28% (2008 29%), the differences are explained below

	2009 £000	2008 £000
Profit before taxation	2,105	2,090
Taxation charge at the standard rate of corporation tax	(589)	(606)
Impact of tax rate change	-	(237)
Total taxation charge for the year	(589)	(843)

7 Investment in limited partnership

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 2009

LLOYDS COMMERCIAL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7 Investment in limited partnership (continued)

	2009 £000	2008 £000
At beginning of the year	26,488	27,525
Repayment of partnership capital	(1,035)	(1,037)
	<hr/>	<hr/>
At end of the year	25,453	26,488
	<hr/>	<hr/>

8 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts receivable under finance leases				
Within 1 year	4,290	11,687	1,727	8,550
2 - 5 years inclusive	17,167	17,167	8,176	7,653
After 5 years	38,625	42,914	28,623	30,873
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	60,082	71,768	38,526	47,076
Less unearned finance income	(21,556)	(24,692)		
	<hr/>	<hr/>		
Present value of minimum lease payments receivable	38,526	47,076		
	<hr/>	<hr/>		
Analysed as				
Non-current finance lease receivables	36,799	38,526		
Current finance lease receivables	1,727	8,550		
	<hr/>	<hr/>		
	38,526	47,076		
	<hr/>	<hr/>		

The fair value of the company's finance lease receivables at 30 September 2009 is estimated at £38 million (2008 £48 million)

9 Amounts owed by group companies

	2009 £000	2008 £000
Cash at bank	4,045	4,320
Bank deposits	3,216	-
	<hr/>	<hr/>
	7,261	4,320
	<hr/>	<hr/>

For further details please refer to note 18

10 Amounts owed to group companies

	2009 £000	2008 £000
Group relief payable	2,165	2,120
Management fees payable	-	100
Bank borrowings	48,022	53,539
Interest payable	50	281
Derivative financial instruments	3,286	2,008
	<hr/>	<hr/>
	53,523	58,048
	<hr/>	<hr/>

For further details please refer to note 18

NOTES TO THE FINANCIAL STATEMENTS

11 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 as at 30 September 2009.

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

	Contractual/notional amount £000	Fair values Liabilities £000
30 September 2009		
Interest rate swaps	24,219	3,286
30 September 2008		
Interest rate swaps	30,835	2,008

12 Deferred taxation

	2009 £000	2008 £000
At beginning of the year	22,055	26,370
Deferred taxation charge for the year	(2,539)	(2,061)
Adjustment in respect of prior year	1	(2,289)
Movement in other reserves	(358)	35
At end of the year	19,159	22,055

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

	2009 £000	2008 £000
Accelerated tax depreciation	(2,539)	(2,061)
Adjustment in respect of prior year	1	(2,289)
Total deferred taxation charge	(2,538)	(4,350)

Deferred taxation assets and liabilities are comprised as follows:

	2009 £000	2008 £000
Deferred taxation assets		
Cash flow hedges	920	562
Deferred taxation liabilities		
Accelerated tax depreciation	20,079	22,617

LLOYDS COMMERCIAL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13 Share capital

	2009 £	2008 £
Authorised, allotted, issued and fully paid Ordinary shares of £1 each	100,000	100,000

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, 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 Banking Group 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 parent 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 10.

14 Other reserves

	2009 £000	2008 £000
At beginning of the year	(1,446)	(1,535)
Change in fair value of cash flow hedges	(1,278)	124
Deferred taxation thereon	358	(35)
At end of the year	(2,366)	(1,446)

15 Retained earnings

	2009 £000	2008 £000
At beginning of the year	(1,197)	(2,444)
Profit for the year	1,516	1,247
At end of the year	319	(1,197)

16 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 and foreign currency 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 in note 1 describe 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 credit risk exposure of the company in the event of other parties failing to perform their obligations is detailed below. Not taking account of any collateral held, the maximum exposure to loss is considered to be the balance sheet carrying amount plus any undrawn commitments at 30 September 2009.

LLOYDS COMMERCIAL LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Risk management of financial instruments (continued)

	2009 £000	2008 £000
Financial assets which are neither past due nor impaired		
Finance lease receivables	38,526	47,076
Amounts owed by group companies	7,261	4,320
Other debtors	-	56
	<hr/>	<hr/>
Total credit risk exposure	45,787	51,452
	<hr/>	<hr/>

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking 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. The collateral held over the finance lease receivable includes a legal charge over the underlying leased assets. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease.

Financial assets by credit rating

	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
At 30 September 2009							
Finance lease receivables	-	38,526	-	-	-	-	38,526
Amounts owed by group companies	-	7,261	-	-	-	-	7,261
Other debtors	-	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	45,787	-	-	-	-	45,787
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
At 30 September 2008							
Finance lease receivables	40,145	6,931	-	-	-	-	47,076
Amounts owed by group companies	4,320	-	-	-	-	-	4,320
Other debtors	-	-	-	-	-	56	56
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	44,465	6,931	-	-	-	56	51,452
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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.

At 30 September 2009 and 2008 there were no impairments relating to credit risk against any 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

At 30 September 2009	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total liabilities £000
On demand	-	-	2,670	2,670
Up to 1 Month	-	20,080	-	20,080
1 - 3 Months	-	27,987	-	27,987
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	5	5
Over 5 years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	48,067	2,675	50,742
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

16 Risk management of financial instruments (continued)

At 30 September 2008

	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total liabilities £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 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.

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 its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the company has no material exposure to financial risk arising from changes in market interest rates.

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance income by £128,000 and finance costs by £120,000.

Currency risk

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

17 Notes to the cash flow statement

	2009 £000	2008 £000
Profit from operations	2,105	2,090
Operating cash flows before movements in working capital	2,105	2,090
Movement in receivables	8,608	14,028
Movement in payables	(5,725)	(6,242)
Cash generated by operations	4,988	9,876
Group relief paid	(3,082)	(2,595)
Net cash flow from operating activities	1,906	7,281

NOTES TO THE FINANCIAL STATEMENTS

18 Related parties

The company's related parties include other companies in the Lloyds Banking Group and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors.

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

Nature of transaction	Related party	2009 £000	2008 £000
Cash at bank	Fellow subsidiary undertaking	4,045	4,320
Bank deposits	Fellow subsidiary undertaking	3,216	-
Group relief payable	Immediate parent undertaking	(2,165)	(2,120)
Management fees payable	Immediate parent undertaking	-	(100)
Bank borrowings	Fellow subsidiary undertaking	(48,022)	(53,539)
Interest payable	Fellow subsidiary undertaking	(50)	(281)
Derivative financial instruments	Fellow subsidiary undertaking	(3,286)	(2,008)

Bank borrowings are interest bearing and during the year rates of interest of up to 6.30% (2008 6.30%) were charged. Finance costs of £2,968,000 (2008 £4,061,000) were incurred during the year.

The company was charged a management fee of £139,000 (2008 £100,000) by its immediate parent company, Lloyds TSB Leasing Limited.

The company paid group relief of £3,082,000 (2008 £2,595,000) during the year to Lloyds TSB Bank plc.

19 Future developments

The following accounting standard changes will impact the company in the future financial periods

Pronouncement	Nature of the change	IASB 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
Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	Clarifies how the principles underlying hedge accounting should be applied in particular situations	Annual periods beginning on or after 1 July 2009
Improvements to IFRSs ¹ (issued April 2009)	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 2010
IFRS 9 Financial Instruments Classification and Measurement ¹	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two, fair value and amortised cost. The existing available-for-sale and held-to-maturity categories have been eliminated. Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows.	Annual periods beginning on or after 1 January 2013
IAS 24 Related Party Disclosures ¹	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011

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

The initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial