

AZEDCREST LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
30 NOVEMBER 2010**

Registered office

25 Gresham Street
London EC2V 7HN

Registered number

1589656

Directors

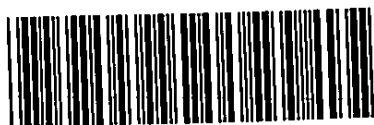
R J Eddowes
I Lomas
G Ferguson

Company Secretary

P Gittins

Member of Lloyds Banking Group

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AZEDCREST LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 30 NOVEMBER 2010

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AZEDCREST LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company for the year ended 30 November 2010

Business review, principal activities and future outlook

During the period the principal activity of the Company was the leasing of vehicles, plant and equipment by way of finance leases

The directors consider the level of performance to be in line with expectations

As the Company has not written any new business since January 2008 and, in order to take advantage of operational and financial benefits, it was decided to assign all remaining lease agreements to its parent company, Lloyds TSB Commercial Finance Scotland Ltd. The assignment was dated 28th July 2010. It is the Company's intention to become dormant after the balance sheet date. As a result the financial statements for the period have not been prepared under the going concern concept, and all trading profits have been classified as discontinuing.

The profit before tax for the year ended 30 November 2010 amounted to £3,438 (2009 £9,355) as set out in the statement of comprehensive income on page 8.

An interim dividend of £750,000 has been paid in the year (2009 £nil).

Ownership of the ordinary share capital of the Company was transferred from Lloyds TSB Scotland plc to Lloyds TSB Commercial Finance Limited on 6 April 2010.

Principal risks

The principal risks and uncertainties of the Company are closely aligned to those of the Lloyds Banking Group and are not managed separately. Further information is given in note 15 to the financial statements.

Financial risk management

Disclosure of the Company's financial risk management objectives and policies is given in note 15 to the financial statements.

Key Performance Indicators (KPI's)

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the Company's business.

AZEDCREST LIMITED

REPORT OF THE DIRECTORS (continued)

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1. The following changes have taken place during the year

	<u>Resigned</u>	<u>Appointed</u>
<u>Directors</u>		
P J Newman	26 th January 2010	
S Rice	26 th January 2010	
I Lomas		26 th January 2010
G Ferguson		26 th January 2010
<u>Secretary</u>		
R A Connor	15 th October 2010	
P Gittins		15 th October 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and audited 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 Company's 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 accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping 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

AZEDCREST LIMITED

REPORT OF THE DIRECTORS (continued)

Auditor and disclosure of information to auditor

In the case of each director in office at the date the director's report is approved, the following applies

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he 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

By order of the board



I Lomas
Director

Date 10 May 2011

AZEDCREST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AZEDCREST LIMITED

We have audited the financial statements of Azedcrest Limited for the year ended 30 November 2010, which comprise the Statement of Comprehensive Income, the Balance Sheet, the statement of changes in Equity, the Statement of Cash Flows, 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 4, 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 and express an opinion on 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 members as a body in accordance with Chapter 3 of Part 16 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 November 2010 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.


AZEDCREST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AZEDCREST LIMITED (continued)

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



Michael Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13 May 2011

AZEDCREST LIMITED**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 30 NOVEMBER 2010**

	Note	2010 £	2009 £
Interest and similar income		7,365	33,525
Interest expense and similar charges		(3,927)	(13,898)
Net interest income	4	<u>3,438</u>	<u>19,627</u>
Impairment gains on leased assets		-	1,248
Other operating expenses		-	(11,520)
Profit before tax	5	<u>3,438</u>	<u>9,355</u>
Tax	6	(2,687)	(2,619)
Profit for the year attributable to equity shareholders being total comprehensive income		<u>751</u>	<u>6,736</u>

All activities are classified as discontinuing following the assignment of all lease agreements to the parent company

The notes on pages 12 to 23 are an integral part of these financial statements

AZEDCREST LIMITED**BALANCE SHEET AS AT 30 NOVEMBER 2010**

	Note	2010 £	2009 £
ASSETS			
Non current assets			
Deferred tax	9	-	123,980
Trade and other receivables	8	-	83,517
		<u>-</u>	<u>207,497</u>
Current assets			
Trade and other receivables	8	78,077	644,379
Group relief receivable		2,005	-
		<u>80,082</u>	<u>644,379</u>
Total assets		<u>80,082</u>	<u>851,876</u>
LIABILITIES			
Current liabilities			
Trade and other payables	10	50	15,760
Group relief payable		-	6,835
Total liabilities		<u>50</u>	<u>22,595</u>
EQUITY			
Share capital	11	50	50
Retained profits		79,982	829,231
Total equity		<u>80,032</u>	<u>829,281</u>
Total equity and liabilities		<u>80,082</u>	<u>851,876</u>

The notes on pages 12 to 23 are an integral part of these financial statements

The financial statements on pages 8 to 23 were approved by the directors on 10 May 2011 and signed on their behalf by


I Lomas
Director

Date 10 May 2011

Company number 1589656

AZEDCREST LIMITED**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 30 NOVEMBER 2010**

	Share capital £	Retained profits £	Total £
At 30 November 2008	50	822,495	822,545
Profit for the year and total comprehensive income	-	6,736	6,736
At 30 November 2009	50	829,231	829,281
Profit for the year and total comprehensive income	-	751	751
Dividend paid	-	(750,000)	(750,000)
At 30 November 2010	<u>50</u>	<u>79,982</u>	<u>80,032</u>

The notes on pages 12 to 23 are an integral part of these financial statements

AZEDCREST LIMITED**STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 30 NOVEMBER 2010**

	2010	2009
	£	£
Cash flows from operating activities		
Profit on ordinary activities before tax	3,438	9,355
Adjustments for		
Interest expense	3,927	13,898
Decrease / (increase) in trade and other receivables	649,819	(23,894)
Decrease in trade payables	(15,710)	(1,166)
Cash generated from operating activities	641,474	(1,807)
Interest paid	(3,927)	(13,898)
Group relief received	112,453	15,705
Net cash from operating activities	750,000	-
Cash flows from financing activities		
Dividends paid to shareholders	(750,000)	-
Net cash used in financing activities	(750,000)	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The notes on pages 12 to 23 are an integral part of these financial statements

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

General information

The Company is incorporated and domiciled in Great Britain

1. Accounting policies

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

2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared under the historical cost convention and on an ongoing basis and in accordance with the Companies Act 2006, as applied to the company and applicable accounting standards in the United Kingdom. Following the assignment out of all remaining lease agreements during the year, the Company has effectively ceased trading and so the going concern basis is no longer considered appropriate. All costs to wind-up the Company will be borne by the parent company and so no provision has been made in these financial statements.

Details of standards and interpretations relevant to the Company but not effective at 30 November 2010 and not applied in preparing these financial statements are set out in note 14.

The financial statements have been prepared under the revised disclosure requirements of IAS 1 (revised) "Presentation of financial statements". The application of this revised standard, which affects presentation only, has not had any impact for amounts recognised in these financial statements.

2.2 Income recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

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 paid or received by the Company that are an integral part of the overall return, 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.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.3 Financial assets and liabilities

Financial assets comprise amounts due from other group entities and trade and other receivables. Financial liabilities comprise other creditors and preference shares.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences any residual interest in the assets of the entity after deducting all of its financial liabilities.

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.

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee.

When assets are leased under a finance lease the amount due from a lessee is recorded at the present value of the lease payments as a receivable within loans and advances to customers.

2.4 Impairment of financial assets

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

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

If, 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 statement of comprehensive income.

2.5 Tax

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.5 Tax (continued)

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 release the asset and settle the liability simultaneously.

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.

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

4. Net interest income

	2010 £	2009 £
Interest and similar income		
Finance lease interest – primary rentals	7,727	27,137
Finance lease interest – secondary rentals	1,104	8,611
Profit on disposal of leased assets	26,168	17,369
Rebate of rentals less settlement fee	(27,634)	(19,592)
	<u>7,365</u>	<u>33,525</u>
Interest and similar charges		
Group interest expense (note 13)	(3,924)	(13,895)
Preference share interest (note 7, 11)	(3)	(3)
	<u>(3,927)</u>	<u>(13,898)</u>
Net interest income	<u>3,438</u>	<u>19,627</u>

Rebate of rentals less settlement fee relates to assets with a net book value of £28,000 (2009 £96,000) where the lease was settled early, with the remainder relating to sales profits distributed to customers at the end of the lease term.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Profit before tax

The profit before tax is stated after charging

	2010 £	2009 £
Management charges payable to parent undertaking (note 13)	-	11,520
Impairment gains on leased assets	-	(1,248)

Audit fees of £3,000 (2009 £3,000) are borne by the parent company

There were no employees during the year (2009 nil) Employee's contracts of service are with Lloyds TSB Commercial Finance Limited and their remuneration is included in that company's financial statements The management charge includes the cost of these employees but it is not possible to ascertain separately the element that relates to employees' benefits expenses

No remuneration was paid or is payable by the Company to the directors The directors are employed by other companies in the Lloyds Banking Group and consider their services to this Company as incidental to their other activities within the group

6. Tax

	2010 £	2009 £
a) Analysis of charge for the year		
UK corporation tax		
Group relief (receivable)/payable for the year	(8,840)	23,576
Adjustment in respect of prior years	-	(13,397)
Current tax (credit)/charge for the year	(8,840)	10,179
Deferred tax		
Origination and reversal of timing differences	11,493	(20,957)
Deferred tax adjustment in respect of prior years	34	13,397
Deferred tax charge/(credit) for the year (Note 9)	11,527	(7,560)
Total tax charge for the year	2,687	2,619

The charge for tax on the profit for the year is based on a UK corporation tax rate of 28% (2009 28%)

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Tax (continued)

(b) Factors affecting the tax charge for the year

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

	2010 £	2009 £
Profit before tax	3,438	9,355
Tax charge thereon at UK corporation tax rate of 28% (2009 28%)	963	2,619
Factors affecting charge		
Change in deferred tax rate to 27%	4,428	-
Excess depreciation over capital allowances	(2,704)	-
Tax charge	2,687	2,619
Effective rate	78%	28%

7. Preference share dividends

	2010 £	2009 £
Non-equity – Preference		
Paid 1 5p (2009 1 5p) per share	3	3

8. Trade and other receivables

	2010 £	2009 £
Amounts falling due within one year		
Advances to customers under finance lease agreements	-	57,186
Less allowance for losses on loans and advances	-	-
	-	57,186
Amounts due from parent company (note 13)	78,077	587,193
	78,077	644,379
Amounts falling due after more than one year:		
Advances to customers under finance lease agreements	-	83,517
	-	727,896

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Trade & other receivables (continued)

	2010 £	2009 £
Gross investment in finance lease receivables		
- No later than one year	-	66,430
- Later than one year and no later than five years	-	89,439
	-	155,869
Unearned future finance income on finance lease agreements	-	(15,166)
Net investment in finance lease contracts	-	140,703

Amounts due from the Company's parent company are unsecured, repayable on demand and non-interest bearing

The cost of assets acquired during the year for the purpose of letting under finance leases amounted to £nil (2009 £nil). There are no unguaranteed residual values accruing to the benefit of the lessor and no contingent rents recognised as income in the period

9. Deferred tax

The movement in the net deferred tax asset is as follows

	2010 £	2009 £
At 1 December 2009	123,980	116,420
Current year origination of timing differences	(7,065)	20,957
Prior year (reversal)/origination of timing differences	(34)	(13,397)
Effect of change in tax rate	(4,428)	
Transfer to parent company	(112,453)	-
At 30 November 2010	-	123,980

The deferred tax charge in the Statement of Comprehensive Income and deferred income tax asset comprise accelerated capital allowances

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Deferred Tax (continued)

Deferred income tax assets comprise accelerated capital allowances and are recoverable as follows

	2010 £	2009 £
After more than 12 months	-	100,404
Within 12 months	-	23,576
As at 30 November 2010	-	123,980

10. Trade and other payables

	2010 £	2009 £
Amounts falling due within one year:		
Accruals and deferred income	-	4,620
Other creditors	-	11,090
Preference shares (Note 11)	50	50
	50	15,760

11. Called up share capital

	Authorised £	2010 Allotted, called up, fully paid £	Authorised £	2009 Allotted, called up, fully paid £
Ordinary shares of 25p each (non-voting)	950	50	950	50
6% preference shares of 25p each	50	50	50	50

The irredeemable preference shares carry a dividend of 6% per annum, payable half yearly on 20 May and 20 November. The dividend rights are non-cumulative. On a return of assets, whether in a winding up or otherwise, there is a right to a return of capital paid up on the 6% preference shares in priority over the holders of the non-voting ordinary shares, but no further right to participate in profits or assets. The preference shares carry the right to receive notice of and to attend and vote in person on a show of hands at every general meeting and the right to one vote per 6% preference share on a poll thereafter.

Preference shares are classed as liabilities and included within trade and other payables. Preference dividends are recognised as interest expense. Ownership is held by Lloyds TSB Commercial Finance Scotland Ltd.

Ownership of the ordinary share capital of the Company was transferred from Lloyds TSB Scotland plc to Lloyds TSB Commercial Finance Ltd on 6 April 2010.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Ultimate parent company

As described in note 11, Called up share capital, ownership of all non voting ordinary shares was transferred from Lloyds TSB Commercial Finance Scotland plc to Lloyds TSB Commercial Finance Limited on 6 April 2010. The 6% preference voting shares continue to be held by Lloyds TSB Commercial Finance Scotland Limited, who by virtue of control, remain the Company's immediate parent undertaking. Lloyds TSB Commercial Finance Scotland Limited is a wholly owned subsidiary of Lloyds TSB Commercial Finance Limited.

The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Group plc), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Lloyds TSB Bank plc was at the balance sheet date the parent undertaking of the smallest such group of undertakings.

Copies of the financial statements of Lloyds TSB Commercial Finance Scotland Limited are available from 110 St Vincent Street, Glasgow G2 5ER.

Copies of the financial statements of Lloyds TSB Commercial Finance Limited are available from No 1 Brookhill Way, Banbury OX16 3EL.

13. Related party transactions

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

	2010 £	2009 £
Lloyds TSB Commercial Finance Scotland Limited		
<u>Balance outstanding at 30 November 2010</u>		
Amounts due from immediate parent company (Note 8)	78,077	587,193
Group relief receivable / (payable)	2,005	(6,835)
<u>Transactions for year ended 30 November 2010</u>		
Interest paid (Note 4)	3,924	13,895
Management charge (Note 5)	-	11,520

Preference dividends paid to Lloyds TSB Commercial Finance Scotland Limited are disclosed in note 7.

The amount of interest payable to Lloyds TSB Commercial Finance Scotland Limited is based on the number of lease agreements in existence during the financial year, rather than on the basis of the outstanding intercompany balance.

Lloyds TSB Commercial Finance Scotland Limited owns all 200 voting preference shares. On 6th April 2010, ownership of the 200 issued non voting ordinary shares passed from Lloyds TSB Scotland plc to Lloyds TSB Commercial Finance Limited.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Related party transactions (continued)

Directors and 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 Commercial Finance Ltd board which comprises the statutory directors of that company and certain other senior management. There were no transactions between the Company and key management personnel during the current or preceding year. Also there was no remuneration paid to key management personnel during the current or preceding year.

14. Future accounting developments

The following pronouncements will be relevant to the Company but were not effective at 30 November 2010 and have not been applied in preparing these financial statements:

Pronouncement	Nature of change	Effective date
Improvements to IFRS (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
IAS24 Related Party Disclosures	Simplifies the definition of a related party	Annual periods beginning on or after 1 January 2011

The full impact of these pronouncements is being assessed by the Company, they are not expected to have a material impact.

15. Financial Risk Management

The Company's activities are principally related to the use of financial instruments through the leasing of vehicles, plant and equipment to its customers. The Company does not trade in financial instruments, nor does it use derivatives. Lending activity is largely in the form of advances to customers. The Company's other financial instruments are amounts due from Group companies.

The Company's operations expose it to credit risk, liquidity risk and interest rate risk, it is not exposed to any foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by Lloyds TSB Commercial Finance Limited.

A description of the financial assets and liabilities and associated accounting is provided in note 2.3.

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts is managed through the application of strict underwriting criteria, determined by Lloyds TSB Commercial Finance Limited. Significant credit exposures are measured and reported on a regular basis.

Credit risk associated with amounts due from the immediate parent company is considered minimal.

Credit concentration

The Company lends to commercial customers geographically located within the United Kingdom.

Loans and advances to customers – maximum exposure

	2010 £	2009 £
Neither past due nor impaired	-	139,308
Past due but not impaired	-	1,395
Impaired	-	-
Gross exposure – loans and advances	-	140,703
Commitments to lend	-	-
Maximum credit exposure	-	140,703

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

	2010 £	2009 £
Good quality	-	-
Satisfactory quality	-	139,308
Lower quality	-	-
Below standard but not impaired	-	-
Total	-	139,308

AZEDCREST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

15.1 Credit risk (continued)

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

	2010 £	2009 £
Past due up to 30 days	-	1,395
Total	<u>-</u>	<u>1,395</u>

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

Allowance for loans and advances to customers which are impaired:

	2010 £	2009 £
Balance at 1 December	-	1,846
Advances written off	-	(598)
Credit to income statement	-	(1,248)
At 30 November	<u>-</u>	<u>-</u>

The criteria used to determine whether there is objective evidence of impairment is disclosed in note 2.4. Included in loans and advances to customers were loans and advances individually determined to be impaired whose gross amount before impairment allowances was £nil (2009 £nil)

Repossessed collateral

The fair value of collateral held against impaired debt is £nil (2009 £nil). 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.

Renegotiated loans and advances to customers

During the year the Company renegotiated no loans and advances to customers, which would otherwise have been past due or impaired (2009 £nil)

15.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

Since the transfer of assignments to Lloyds TSB Commercial Finance Scotland Limited there are no external liabilities, hence there is no liquidity risk.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15.3 Interest rate risk

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

Rates of interest payable to Lloyds TSB Commercial Finance Scotland Limited are matched to rates receivable from customers, so that the interest rate risk faced by the Company is limited

15.4 Fair values of financial assets and liabilities

Financial instruments include financial assets and financial 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

Financial assets in this context are advances to customers under finance lease agreements and amounts due from immediate parent company. The accounting policy for such financial instruments is explained in note 2.3

Finance leases are initially recognised at fair value and subsequently amortised using the effective interest rate method. Fair value is principally estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans offered by other financial institutions. When valued at fair value, advances to customers under finance lease agreements would equate to approximately £nil (2009 £138,000)

15.5 Market risk

The Company is no longer subject to market risk exposure as all remaining lease agreements were assigned to its parent company, Lloyds TSB Commercial Finance Scotland Limited, during the year

16. Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, and indirectly, to support the Lloyds Banking Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and advises the board 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 Company's parent 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 on page 10

17. Dividend per share

The dividend of £750,000 amounts to £3,750 per share. This has been accounted for as an appropriation of retained profits in the year to 30 November 2010