EVANSVILLE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 MAY 2009

Registered office

25 Gresham Street
London EC2V 7HN

Registered number

1598402

Directors

R J Eddowes
P J Newman
S I Rice

Company Secretary

R A Connor

Member of Lloyds Banking Group

EVANSVILLE LIMITED

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 May 2009.

Business review and principal activities

The principal activity of the Company is 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. The Company ceased writing new lease business in January 2008 and is running off the existing book.

The profit before tax for the year ended 31 May 2009 amounted to £19,000 (2008: £21,000) as set out in the income statement on page 8.

No ordinary dividends have been paid in the year (2008: nil).

Principal risks

The principal risks and uncertainties of the Company are closely aligned to those of the Lloyds TSB Group and are not managed separately. Further information is given in note 16 to the financial statements.

Financial risk management

Disclosure of the Company's financial risk management objectives and policies is given in note 16 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.

Directors

The names of the directors at the date of signing these accounts are shown on page 1.

Statement of directors' responsibilities
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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) 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.

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

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

(b) 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.

Auditors and disclosure of information to auditors

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

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

- the director has taken all steps that he/she ought to have taken as a director in order to make him/her aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with section 234ZA of the Companies Act 1985.

Policy and practice on payment of suppliers

The company follows "The Better Payment Practice Code" published by the Department for Business, Enterprise and Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR Publications Orderline 0845 0150 010 quoting ref URN 04/606.

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

As the Company owed insignificant amounts to trade suppliers at 31 May 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, has been rounded to nil (2008 : nil).

On behalf of the board

R A Connor
Secretary

18 November 2009

EVANSVILLE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EVANSVILLE LIMITED

We have audited the financial statements of Evansville Limited for the year ended 31 May 2009 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in 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 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 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 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 31 May 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

EVANSVILLE LIMITED

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

Matters on which we are required to report by exception (continued)

- we have not received all the information and explanations we require for our audit.

Hugh McNaughtan

Hugh McNaughtan (Senior Statutory ~~Auditor)~~
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
~~[Date]~~ 20th November 2009

EVANSVILLE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	Note	2009 £'000	2008 £'000
Interest and similar income		**37**	52
Interest expense and similar charges		**(14)**	(27)
Net interest income	4	**23**	25
Other operating expenses		**(4)**	(4)
Profit before tax	5	**19**	21
Tax	6	**(6)**	(15)
Profit for the year attributable to equity shareholders		**13**	6

All results derive from continuing activities.

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

EVANSVILLE LIMITED

BALANCE SHEET AS AT 31 MAY 2009

	Note	2009 £'000	2008 £'000 Restated
ASSETS			
Non current assets			
Deferred taxation	9	**86**	123
Trade and other receivables	8	**69**	188
Group relief receivable	13	**31**	-
		186	311
Current assets			
Trade and other receivables	8	**414**	283
Total assets		**600**	594
LIABILITIES			
Current liabilities			
Trade and other payables	10	**7**	13
Group relief payable	13	**-**	1
Total liabilities		**7**	14
EQUITY			
Share capital	11	**-**	-
Retained profits		**593**	580
Total equity		**593**	580
Total equity and liabilities		**600**	594

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 18 November 2009 and signed on their behalf by:

P. Newman.

P J Newman
Director

EVANSVILLE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2009

	Share Capital £'000	Retained profits £'000	Total £'000
At 31 May 2007	-	574	574
Profit for the year ended 31 May 2008	-	6	6
At 31 May 2008	-	580	580
Profit for the year ended 31 May 2009	-	13	13
At 31 May 2009	**-**	**593**	**593**

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

EVANSVILLE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2009

	2009 £'000	2008 £'000 Restated
Cash flows from operating activities		
Profit on ordinary activities before tax	**19**	21
Adjustments for:		
Interest expense	**14**	27
(Increase) / decrease in trade and other receivables	**(12)**	276
(Decrease) / increase in trade payables	**(6)**	3
Cash generated from operating activities	**15**	327
Interest paid	**(14)**	(27)
Group relief paid	**(1)**	(5)
Net cash from operating activities	**-**	295
Cash flows from financing activities		
Repayment of advances from parent company	-	(295)
Net cash used in financing activities	**-**	(295)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The 2008 comparatives have been restated to reclassify a £112,000 increase in amounts due from the imidiate parent company from cashflows from financing activities, to cashflows from operating activities.

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is incorporated and domiciled in Great Britain.

1.1 Going Concern

The Company is reliant on funding provided by its intermediate parent company, Lloyds TSB Scotland plc. Owing to uncertainty in financial markets, Lloyds Banking Group plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds TSB Scotland 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.

2. 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.

Details of standards and interpretations relevant to the Company but not effective at 31 May 2009 and not applied in preparing these financial statements are set out in note 15.

2.2 Income recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. 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.

2.3 Financial assets and liabilities

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

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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the income statement.

2.5 Taxation

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.

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.

EVANSVILLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2.5 Taxation (continued)

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.

3.1 Impairment losses on advances under finance lease agreements

The Company regularly reviews its loan 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

	2009	2008
	£'000	£'000
Interest and similar income		
Finance lease interest	**35**	54
Profit on disposal of leased assets	**122**	58
Rebate of rentals less settlement fee	**(120)**	(60)
	37	52
Interest and similar charges		
Group interest expense (note 13)	**(14)**	(27)
Preference shares (notes 7, 11)	-	-
Net interest income	**23**	25

Included within interest income in 2008 is £nil (2007: £nil) in respect of impaired financial assets.

Rebate of rentals less settlement fee relates to assets with a net book value of £14,000 (2008: £32,000) where the lease was settled early.

5 Profit before tax

The profit before tax is stated after charging:

	2009	2008
	£'000	£'000
Management charges payable to group company (note 13)	**4**	4

Audit fees of £3,550 (2008: £3,400) are borne by the parent company and are recovered as part of the management charge noted above.

There were no employees (2008: nil). Employees' contracts of service are with another group company Lloyds TSB Commercial Finance Limited and their remuneration is included in this company's financial statements. The management charge made by the parent company includes the cost of these employees but it is not possible to ascertain separately the element that relates to employees' benefits and expenses.

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

6 Taxation

	2009	2008
	£'000	£'000
a) Analysis of (credit) / charge for the year		
UK corporation tax:		
- Group relief (receivable) / payable for the year	**(31)**	1
Current tax (credit) / charge	**(31)**	1
Deferred tax:		
Deferred tax charge for the year (note 9)	**37**	14
	6	15

The charge for tax on the profit for the year is based on a UK corporation tax effective rate of 28% (2008: 29.7%).

6. Taxation (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:

	2009 £'000	2008 £'000
Profit before tax	**19**	21
Tax charge thereon at UK corporation tax effective rate of 28% (2008: 29.7%)	**5**	6
Factors affecting charge:		
- Adjustment in respect of prior years	**1**	-
- Impact of reduction in deferred tax rate to 28%	**-**	9
Tax on profit on ordinary activities	**6**	15
Effective rate	**31.6%**	71.4%

7. Preference share dividends

	2009 £	2008 £
Non-equity – Preference		
Paid: 1.5p (2008 1.5p) per share	**3**	3

8. Trade and other receivables

	2009 £'000	2008 £'000
Amounts falling due within one year		
Advances to customers under finance lease agreements	**111**	171
Amounts due from immediate parent company (note 13)	**303**	112
	414	283
Amounts falling due after more than one year		
Advances to customers under finance lease agreements	**69**	188
	483	471

EVANSVILLE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Trade and other receivables (continued)

Advances to customers under finance lease agreements:

	2009 £'000	2008 £'000
Gross investment in finance lease receivables:		
- No later than one year	**120**	190
- Later than one year and no later than five years	**71**	200
	191	390
Unearned future finance income on finance lease agreements	**(11)**	(31)
Net investment in finance lease contracts	**180**	359

Amounts due from group undertakings 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 (2008: £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 taxation

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

	2009 £'000	2008 £'000
At 1 June	**123**	137
Income statement charge (note 6a)	**(37)**	(14)
At 31 May	**86**	123

The deferred tax charge in the income statement and deferred income tax asset all relate to accelerated capital allowances.

Deferred income tax assets are recoverable as follows:

	2009 £'000	2008 £'000
After more than 12 months	**50**	96
Within 12 months	**36**	27
	86	123

With effect from 1 April 2008, profits are charged to corporation tax at the rate of 28%. Accordingly, deferred tax is calculated at 28%.

10. Trade and other payables

	2009 £'000	2008 £'000
Amounts falling due within one year		
Accruals and deferred income	**3**	4
Other creditors	**4**	9
	7	13

Amounts due to group undertakings are unsecured, repayable on demand and interest bearing. Variable interest rates based on the individual finance lease agreements have been charged during the year.

11. Called up Share Capital

	2009 £	2008 £
Ordinary shares of 25p each (non-voting)		
Authorised	**950**	950
Allotted, called up, fully paid	**50**	50
6% preference shares of 25p each		
Authorised, allotted, called up, fully paid	**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.

12. Ultimate parent company

Lloyds TSB Commercial Finance Scotland Limited is the immediate parent undertaking. 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 Scotland plc is the parent undertaking of the smallest such group of undertakings.

Copies of the group financial statements of Lloyds TSB Scotland plc are available from the Secretary, Henry Duncan House, 120 George Street, Edinburgh EH2 4LH.
Copies of the group financial statements of Lloyds Banking Group plc are available from the Secretary, 25 Gresham Street, London EC2V 7HN.

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 is set out below.

	2009	2008
	£'000	£'000
Lloyds TSB Commercial Finance Scotland Limited		
Balance outstanding at 31 May		
Amounts due from immediate parent company (note 8)	**304**	112
Group relief receivable /(payable)	**31**	(1)
Transactions for the year ended 31 May		
Interest paid (note 4)	**14**	27
Management charges (note 5)	**4**	4

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 and Lloyds TSB Scotland Plc owns all 200 of the issued non voting ordinary shares.

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 Scotland plc 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.

14. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 31 May 2009 (2008: £nil).

15. Future accounting developments

The following pronouncements will be relevant to the Company but were not effective at 31 May 2009 and have not been applied in preparing these financial statements:

Pronouncement	Nature of change	Effective date
Amendment to IAS1: Presentation of Financial Statements	Revises the overall requirements for the presentation of financial statements, guidance for their structure and minimum content requirements. The revised standard requires the presentation of all non-owner changes in equity within a statement of comprehensive income.	Annual periods beginning on or after 1 January 2009
Improvements to IFRSs	Sets out minor amendments to IFRS standards as part of annual improvements process.	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2009.

These pronouncements will be adopted during the year commencing 1 June 2009. The full impact of these pronouncements is being assessed by the Company; they are not expected to have a material impact.

16. 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 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 the intermediate parent, Lloyds TSB Scotland plc and the ultimate parent Lloyds Banking Group plc.

Note 2.3 provides a description of the financial assets and liabilities and associated accounting.

16.1 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 the Lloyds TSB Scotland plc committees. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are made for losses incurred at the balance sheet date.

Credit concentration

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

Loans and advances to customers – maximum exposure

	2009	2008
	£'000	£'000
Neither past due nor impaired	**180**	359
Past due but not impaired	**-**	-
Impaired	**-**	-
Gross exposure – loans and advances	**180**	359
Commitments to lend	**-**	-
Maximum credit exposure	**180**	359

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

	2009	2008
	£'000	£'000
Good quality	**38**	33
Satisfactory quality	**126**	300
Lower quality	**15**	26
Below standard but not impaired	**1**	-
Total	**180**	359

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

There were no loans and advances to customer which were past due but not impaired as at 31 May 2009 (2008: £nil).

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

16.1 Credit risk (continued)

Allowance for loans and advances to customers which are impaired:

There was no allowance for loans and advances to customer which were impaired as at 31 May 2009 (2008: £nil).

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 (2008: £nil).

Repossessed collateral

The fair value of collateral held against impaired debt is £nil (2007: £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.

16.2 Liquidity risk

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

Significant cash deposits relating to this company are held by Lloyds TSB Commercial Finance Scotland Limited (who collect customer rentals) and these intercompany debtors are all repayable on demand. As such, liquidity risks are minimal.

16.3 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 re-pricing 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.

16.4 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 instruments in this context are loans and advances to customers and funds lent to Group companies. The accounting policy for such financial instruments is explained at note 2. These products are accounted for on an amortised cost basis and no financial instruments use fair value accounting.

16.4 Fair values of financial assets and liabilities (continued)

The Company provides loans and advances to commercial and corporate customers at fixed rates. 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. The aggregated fair value of loans and advances to customers is approximately £183,000 (2008: £370,000).

17. Capital management

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 Lloyds TSB 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.